



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 14<sup>TH</sup> FEBRUARY 2025

### DOMESTIC NEWS

The Kenyan shilling strengthened slightly against the U.S. dollar on Thursday, supported by foreign exchange inflows from the hospitality sector. It was quoted at 128.90/129.40 per dollar, compared to 129.00/129.50 on Wednesday. (Refinitiv).

The Treasury has raised domestic borrowing by Sh180.6 billion to Sh593.7 billion to finance the Sh3.973 trillion budget amid declining tax revenues. Tax collection projections have been cut by Sh55.5 billion to Sh2.575 trillion due to economic challenges and anti-tax protests. Lower interest rates are expected to ease fiscal pressures, improving Kenya's credit outlook, with Moody's upgrading its rating to positive. Fiscal consolidation remains a priority, though recurrent spending has risen by Sh111.6 billion, while development expenditure is cut by Sh9.7 billion. Increased spending will rely on non-tax revenues like state corporation fees. (Business Daily).

The Central Bank of Kenya (CBK) raised Sh130 billion from two reopened infrastructure bonds after investors oversubscribed the offer, anticipating lower interest rates. The 14-year and 17-year bonds attracted Sh193.9 billion in bids against a Sh70 billion target, with CBK accepting Sh65.26 billion and Sh65.55 billion, respectively. The recent 0.5% base rate cut, and lower cash reserve ratio have increased liquidity, likely contributing to declining rates. Despite a 33% bid rejection rate, the funds will support government borrowing needs, including a Sh50 billion partial buyback of three bonds maturing in April and May. (Business Daily).

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.15	134.15	124.15	134.15
GBP/KES	158.13	171.13	157.33	172.03
EUR/KES	130.07	143.97	130.37	146.87
AED/KES	31.16	44.16	33.16	44.66

	Amounts > 10 million	Amounts >100,000
	KES	USD
2 Weeks	7.00%	1.50%
1 Month	7.25%	2.25%
3 Months	7.50%	2.75%
6 Months	7.75%	3.00%
1 year	8.00%	3.50%



USD movement from November 2024 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar weakened on Thursday as hopes for an end to the Ukraine-Russia war boosted market sentiment. The Dollar Index fell 0.2% to 107.590 after news that the U.S. President Donald Trump had spoken with Russian President Vladimir Putin and Ukrainian President Volodymyr Zelenskiy, with both expressing interest in a peace deal. The Kremlin confirmed a possible Trump-Putin meeting, while China proposed a summit to end the war. Despite strong U.S. inflation data initially strengthening the dollar, optimism over peace talks overshadowed its gains. Investors now await U.S. producer price data for further inflation insights.

The euro rose 0.3% to 1.0413 on hopes of a Ukraine-Russia peace deal, which could ease economic pressures in Europe. Analysts note EUR/USD is still 10% below pre-war levels. German inflation remained steady at 2.8% in January.

GBP/USD rose 0.2% to 1.2479 as the U.K. economy grew 0.1% in Q4, defying contraction forecasts. Annual growth hit 1.4%, but ING warned it was driven by volatile inventory increases.

In Asia, USD/JPY fell 0.3% to 153.96 as Japan's annual wholesale inflation hit a seven-month high of 4.2% in January, fueling expectations of another rate hike. Meanwhile, USD/CNY remained stable at 7.3091 after reports that Beijing proposed hosting a Russia-Ukraine peace summit.

In the commodities markets, Oil prices rose on Friday, set to end a three-week decline, driven by increasing fuel demand and delayed U.S. tariff plans easing trade war fears. Brent crude rose 0.3% to \$75.25 a barrel, while WTI gained 0.2% to \$71.45. For the week, Brent was up 0.6% and WTI 0.5%. While optimism over U.S. tariff delays supported prices, potential Russia-Ukraine peace talks raised concerns that lifting sanctions on Moscow could boost global supply. Meanwhile, global oil demand surged to 103.4 million bpd, with higher heating fuel use and soaring European gas prices driving demand.

On the other hand, gold prices remained steady near record highs, supported by a weaker U.S. dollar despite improved market sentiment after President Trump postponed reciprocal tariffs. Spot gold held at \$2,928.91 per ounce, while April futures rose 0.4% to \$2,957.19. Prices were set for a 2.4% weekly gain, marking seven consecutive weeks of increases. Uncertainty over Trump's trade policies kept safe-haven demand intact, even as risk sentiment improved with the delayed tariffs and potential Russia-Ukraine peace talks. (investing.com).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0254	1.0656
GBP/USD	1.2352	1.2759
USD/ZAR	16.4685	20.4771
USD/AED	3.6528	3.6932
USD/JPY	150.62	154.66

For more details, contact our Treasury staff Mary, John, Alice & Joseph on Tel +254 20 5131311, DL +254 20 513 1354/55/51/52, Cell +254 709913351/52/54/55. The views expressed here are not solicitation for investment but dealers' own opinion. The bank cannot be held responsible for any losses of whatever nature resulting from action taken based on comments contained in this publication. The rates quoted includes the Banks mark up. DIB Bank Kenya Ltd is regulated by the Central Bank of Kenya.