TREASURY MARKET UPDATE 17TH FEBRUARY 2025

DOMESTIC NEWS

The Kenyan shilling slipped marginally against the U.S. dollar on Friday, data from the London Stock Exchange Group showed. The shilling was trading at 129.10/129.60 to the dollar, compared to Thursday's close of 128.90/129.40. (Refinitiv).

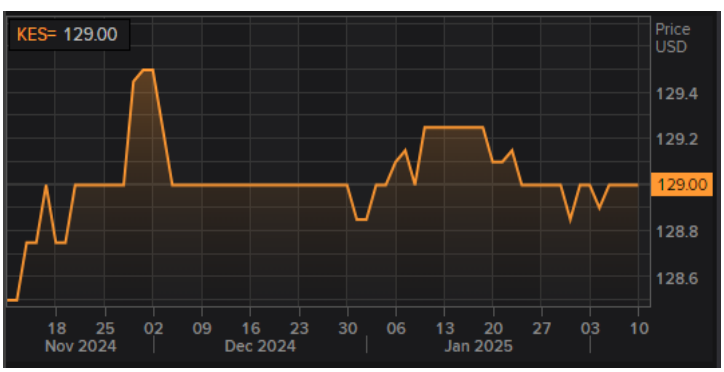
The Kenyan government plans to roll over Sh88 billion from its current IMF program into the next financial year, signaling negotiations for a new deal with the IMF. The disbursement under the ongoing program has been reduced by 63.7%. The 2024-25 budget has been adjusted with a Sh199 billion increase in expenditure, widening the fiscal deficit to Sh862.7 billion. Additionally, domestic borrowing targets have risen by 43.7% to Sh593.7 billion, and the target for commercial loans from global markets has increased by 15.5% to Sh195 billion. (Business Daily).

In other news, the return on the 91-day Treasury bill fell below 9% for the first time since October 2022, reflecting the Central Bank of Kenya's recent rate cut. The CBK also reduced rates across all T-bill tenors and benefited from oversubscription. Additionally, the CBK lowered the cash reserve ratio for banks, freeing up Sh57 billion for lending, though banks may park some funds in short-term securities. Despite efforts to lower rates, an increase in domestic borrowing could pressure the CBK to accept more market bids to meet the expanded cash demand. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.25	134.25	124.25	134.25
GBP/KES	158.82	171.82	158.02	172.72
EUR/KES	130.75	144.65	131.05	147.55
AED/KES	31.19	44.19	33.19	44.69

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 declined on Friday, heading for a significant weekly loss following hotter-than-expected inflation data and President Trump's decision to delay imposing reciprocal tariffs on key trading partners. The Dollar Index was down 0.4% to 106.815, reaching a three-week low and set for a 1% weekly drop. While Trump instructed officials to draft plans for reciprocal tariffs, he stopped short of immediate implementation, fostering expectations of potential negotiations, which weighed on the dollar. Markets are now focused on the Munich security conference, where Western powers will discuss possible peace terms for Ukraine. Speculation is also growing about a future meeting between U.S., Russian, Ukrainian, and European representatives in Saudi Arabia. Meanwhile, U.S. retail sales data, expected to be weak due to adverse weather, adds further pressure on the dollar.

The euro rose 0.2% to 1.0484 against the U.S. dollar, supported by optimism over potential Ukraine-Russia peace talks. International Netherlands Group forecasts a slight rally to 1.0535/75, but expects EUR/USD to drop to 1.00 by Q2.

GBP/USD increased by 0.3% to 1.2587, reaching its highest level since early January, following unexpected data showing that the U.K. economy grew in the last quarter of the previous year.

In Asia, USD/JPY fell 0.2% to 152.52, with the Japanese yen maintaining its recent strength amid ongoing expectations of further rate hikes by the Bank of Japan. Meanwhile, USD/CNY remained mostly unchanged at 7.2898, though it dropped slightly from the 7.3 yuan level.

In the commodities markets, Oil prices were stable on Monday as investors focused on potential peace talks between Russia and Ukraine, which could ease sanctions and increase oil supply. Brent crude was at $74.81, and U.S. WTI remained at $70.75. U.S. President Trump expressed hope for talks with Russian President Putin, while stable oil demand forecasts supported prices. Additionally, U.S. energy firms added oil rigs for the third consecutive week, indicating potential future output growth.

On the other hand, Gold hit a record high over $2,900 per ounce, fueled by trade war fears and potential U.S. tariffs. Despite strong demand from central banks, especially China, economist Joe Maher predicts the rally won't last. He expects gold prices to fall to $2,750 by the end of 2025 due to rising Treasury yields and high prices deterring some investors. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0289	1.0691
GBP/USD	1.2388	1.2793
USD/ZAR	16.3456	20.3518
USD/AED	3.6528	3.6933
USD/JPY	149.63	153.66