

DOMESTIC NEWS

The Kenyan shilling strengthened slightly against the U.S. dollar on Wednesday, supported by diaspora forex inflows. It traded at 128.50/129.50 per dollar, up from 128.65/129.65 on Tuesday. (Refinitiv).

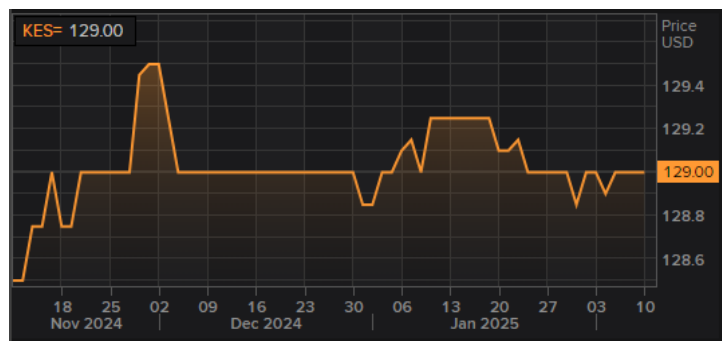
The Kenyan government plans to reintroduce taxes on car insurance premiums and carbon emissions to fund road construction and maintenance. The National Tolling Policy proposes increasing the fuel levy, introducing road tolls, and applying congestion and pollution taxes in major urban areas. These measures aim to offset declining fuel tax revenues as motorists shift to fuel-efficient and electric vehicles. With a road infrastructure financing gap of Sh4.05 trillion over the next decade, the policy seeks alternative revenue sources, including tolling based on vehicle classification and road usage. (Business Daily).

Kenya's food import bill dropped by 12.87% to \$2.065 billion (Sh266.39 billion) in 2024, the first decline in four years, due to improved local production supported by subsidized farm inputs and favorable weather. Maize imports fell by 54.4% to \$74 million (Sh9.55 billion), while sugar imports declined 35.5% to \$262 million (Sh33.80 billion) as domestic output increased. Government interventions, including fertilizer subsidies and expanded farmland, boosted yields. This reverses previous years of rising food imports caused by drought and global supply disruptions from the Russia-Ukraine war. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.10	134.10	124.10	134.10
GBP/KES	157.29	170.29	156.49	171.19
EUR/KES	129.81	143.71	130.11	146.61
AED/KES	31.15	44.15	33.15	44.65

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 strengthened on Wednesday after inflation data indicated persistent price pressures, potentially delaying further Federal Reserve rate cuts. The Dollar Index rose 0.3% to 108.175. Consumer prices increased by 3.0% year-over-year in January, surpassing expectations of 2.9%, while core inflation climbed to 3.3%. The monthly inflation rate also accelerated, signaling that inflation remains above the Fed's 2% target. Fed Chair Jerome Powell reiterated that policymakers are cautious about cutting rates too soon, emphasizing a "wait-and-see" approach. Meanwhile, Trump's new tariff measures, which took effect this month, could add further inflationary pressure.

The EUR/USD pair traded 0.2% higher at 1.0344 but remained near a two-year low, pressured by weak economic data, including a sharp 3.1% decline in Italy's industrial production. Analysts expect limited upside potential for the euro amid sluggish growth and expected ECB rate cuts.

GBP/USD fell 0.3% to 1.2401, retreating after a brief rebound following last week's Bank of England rate cut.

In Asia, the Japanese yen weakened sharply as USD/JPY surged 1.2% to 154.33. Bank of Japan Governor Kazuo Ueda reaffirmed the central bank's 2% inflation target but adopted a slightly less hawkish stance.

Meanwhile, USD/CNY edged up to 7.3100, remaining within a narrow trading range.

In the commodities markets, Oil prices declined on Thursday amid expectations that a potential peace deal between Ukraine and Russia could lead to the lifting of sanctions that have disrupted supply flows. Brent crude fell 0.9% to \$74.50 per barrel, while WTI dropped 0.9% to \$70.72. The decline followed a 2% drop on Wednesday after U.S. President Donald Trump stated that both Russian and Ukrainian leaders expressed interest in peace, prompting U.S. officials to begin negotiations to end the war. Additionally, rising crude inventories in the U.S. added to downward pressure on prices.

On the other hand, Gold prices rose on Thursday, staying near record highs despite optimism over a potential Russia-Ukraine peace deal. The increase was mainly due to a weaker dollar, which fell after higher-than-expected U.S. inflation data, dampening expectations for interest rate cuts. Gold also benefited from concerns over possible trade tariffs under U.S. President Trump. Spot gold rose 0.5% to \$2,918.70, while gold futures climbed 0.6% to \$2,947.00, close to recent record highs. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0236	1.0638
GBP/USD	1.2291	1.2697
USD/ZAR	16.4548	20.4647
USD/AED	3.6529	3.6931
USD/JPY	152.09	156.10