



DIB Bank Kenya

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TREASURY MARKET UPDATE 03RD FEBRUARY 2025

DOMESTIC NEWS

The Kenyan shilling weakened against the U.S. dollar on Friday, trading at 129.00/129.50 per dollar, down from 128.85/129.35 at Thursday's close. (Refinitiv).

Kenya's overall inflation rose to 3.3% in January 2025 from 3.0% in December 2024, driven mainly by higher food prices, with food inflation surging to 6.1% from 4.8%. Meanwhile, core inflation, which excludes food, fuel, and transport, declined to 2.0%, prompting expectations of further interest rate cuts by the Central Bank of Kenya (CBK) after three consecutive reductions, bringing the benchmark rate to 11.25% in December. For the first time, Kenya's statistics office (KNBS) published core inflation data, improving monetary policy insights. Policymakers argue that including volatile components like food and fuel complicates inflation control, as these are largely driven by external supply factors. Households spent less on transport but faced rising education costs, with private primary school fees increasing by 2.8% to Sh30,935. (Business Daily)

On other news, The Treasury supports the East African Bond Exchange (EABX), a new platform for trading government securities, despite opposition from the Central Bank of Kenya (CBK) over potential market distortions. Although EABX received regulatory approval in 2024, the CBK has denied it an electronic link, delaying its launch. The Treasury plans to provide this link in 2025, enabling over the counter (OTC) trading, where investors negotiate directly. EABX aims to compete with the Nairobi Securities Exchange (NSE), enhance transparency, and boost market liquidity. (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	154.66	167.66	153.86	168.56
EUR/KES	127.45	141.35	127.75	144.25
AED/KES	31.19	44.19	33.19	44.69

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	8.00%	1.50%
1 Month	8.25%	2.25%
3 Months	8.50%	2.75%
6 Months	8.75%	3.00%
1 year	9.00%	3.50%



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

INTERNATIONAL NEWS

The US dollar strengthened on Friday, with the Dollar Index rising 0.5% to 108.160, following President Donald Trump's announcement of a potential 25% tariff on imports from Mexico and Canada. Markets remain cautious as the tariff deadline looms, with analysts warning of downside risks for the Canadian dollar (CAD) and Mexican peso (MXN). Meanwhile, the Federal Reserve kept its interest rate at 4.25%-4.50% but removed language suggesting inflation progress. Investors await December's core PCE price index, the Fed's preferred inflation gauge, for further policy signals.

The EUR/USD: The euro weakened by 0.2% to 1.0368 after the European Central Bank (ECB) cut interest rates by 0.25 percentage points, marking its fifth rate cut since June. Disappointing economic data, including German retail sales and lower-than-expected French inflation, added pressure. EUR/USD is also influenced by potential US tariffs, with risks of further declines if Trump imposes tariffs.

GBP/USD: The British pound slipped slightly to 1.2418, with attention shifting to the upcoming Bank of England policy meeting, where interest rates are expected to remain unchanged. Concerns about the UK economy's strength leave sterling vulnerable to further downside.

USD/JPY: The US dollar rose 0.3% to 154.63 against the Japanese yen, driven by broader dollar strength. Despite a strong Tokyo CPI print, which supported rate hike expectations, the yen continued to weaken in line with global trends.

In the commodities markets, Gold prices fell from record highs on Monday, dropping 0.7% to \$2,780.56 per ounce, pressured by a sharp rise in the U.S. dollar after President Trump imposed trade tariffs on China, Canada, and Mexico. However, the decline is expected to be brief, as gold had seen a strong rally recently due to safe haven demand amid a global equity market rout and anticipation of the tariffs. The dollar surged to a near one-month high, nearing a two-year peak, following the tariff announcement. Gold futures for April also fell 0.8% to \$2,810.30.

On the other hand, Oil prices surged in Asian trading on Monday following President Trump's announcement of sweeping tariffs on imports from Canada, China, and Mexico, raising concerns about potential disruptions in oil supply chains. Canada and Mexico are key crude suppliers to the U.S., and the tariffs could affect the flow of oil. Brent Oil Futures rose 0.6% to \$76.13 per barrel, while Crude Oil WTI Futures for March increased 1.1% to \$72.75 per barrel.

(investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0037	1.0441
GBP/USD	1.2070	1.2478
USD/ZAR	16.9701	20.9703
USD/AED	3.6529	3.6931
USD/JPY	153.54	157.57

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.