

DOMESTIC NEWS

The Kenyan shilling strengthened slightly on Friday, trading at 128.90/129.40 per U.S. dollar from 129.00/129.50 the previous day. The appreciation was supported by foreign currency inflows from international donors and merchandise exporters. (Refinitiv).

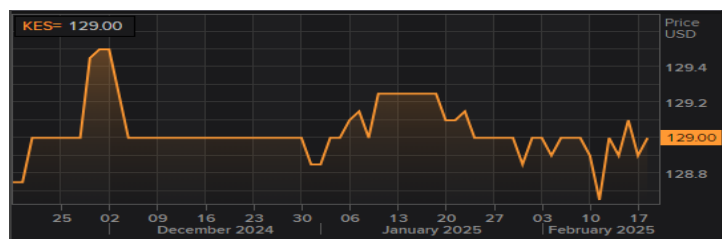
Kenya's headline inflation rose to 3.5% in February from 3.3% in January, driven by higher food prices. Non-core inflation increased to 8.2% due to rising vegetable prices, while core inflation remained stable at 2.0%. Food and non-alcoholic drink prices rose by 6.4%, with increases in sugar, cooking oil, and tomatoes, though wheat flour and Irish potato prices declined. LPG prices rose by 0.6%, electricity costs dropped by up to 1.4%, and local flight prices increased by 4.8%, slightly raising transport costs. The CBK lowered its benchmark rate to 10.75% to spur economic growth and expects inflation to remain stable, supported by easing energy prices and a steady exchange rate. (Central Bank)

On other local news investors in Kenyan Treasury bills have shifted interest back to the 91-day paper, breaking a recent trend favoring the 364-day paper. Last week, bids for the 91-day paper reached Sh17.9 billion, surpassing the 364-day paper's Sh11.6 billion. This comes as yields on all T-bills continue to decline due to successive benchmark interest rate cuts by the Central Bank of Kenya (CBK). The 91-day yield dropped from 16% in July 2023 to 8.94%, while the 364-day yield fell from 16.92% to 10.50%. Investors usually prefer longer-term papers in a falling rate environment to lock in higher yields, but the recent shift suggests changing market sentiment. The CBK's rate cuts, driven by lower inflation and a stable exchange rate, have ended the high-interest rate regime. (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	158.91	171.91	158.11	172.81
EUR/KES	129.77	143.67	130.07	146.57
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%	



INTERNATIONAL NEWS

Asian currencies firmed slightly on Monday as the U.S. dollar retreated ahead of a March 4 deadline for President Trump's new trade tariffs. Stronger-than-expected economic data from China and Japan improved market sentiment but had a limited impact on currencies.

The dollar had strengthened last week on trade tariff concerns and persistent U.S. inflation, as indicated by the PCE price index. While the dollar index fell 0.4% on Monday, the greenback remained supported by Trump's tariff threats. New tariffs on Mexico and Canada are set to take effect Tuesday, with a 10% levy on China also expected this week.

Markets are wary of inflation risks from the tariffs, as costs will be passed on to U.S. importers. The Federal Reserve remains cautious on rate cuts, with investors awaiting February's nonfarm payrolls data for further direction.

The GBP/USD pair rebounded above 1.2600, driven by dip-buying and expectations of further Fed policy easing. The EUR/USD rose to around \$1.04 amid renewed optimism over Europe's role in a Ukraine peace proposal and anticipation of a 25 bps ECB rate cut. The USD/CNY central rate was set at 7.1745 by the PBOC, showing slight stability. Meanwhile, the USD/JPY pair remained below mid-150.00s as expectations of further Bank of Japan rate hikes boosted the yen.

Gold prices rose in Asian trading on Monday as a weaker U.S. dollar and uncertainty over U.S. trade tariffs and Russia-Ukraine peace talks boosted demand for safe-haven assets. Spot gold increased by 0.3% to \$2,865.69 per ounce, while April gold futures gained 0.9% to \$2,873.59. Copper prices also edged higher, supported by a weaker dollar and stronger-than-expected Chinese manufacturing data. Benchmark copper futures on the London Metal Exchange rose 0.3% to \$9,985.70 per ton, while April copper futures dipped slightly to \$4.5595 per pound.

In other commodities news, Oil prices rose on Monday, supported by strong Chinese manufacturing data, which fueled optimism for increased fuel demand. Brent crude climbed 0.5% to \$73.17 per barrel, while U.S. West Texas Intermediate (WTI) rose 0.5% to \$70.10. China's manufacturing activity expanded at its fastest pace in three months, boosting sentiment. However, uncertainty over a Ukraine peace deal and potential U.S. tariffs kept markets cautious. Investors are also watching China's annual parliamentary meeting on March 5 for potential economic support measures.

(fxstreet.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0214	1.0616
GBP/USD	1.2404	1.2807
USD/ZAR	16.6369	20.6494
USD/AED	3.6522	3.6932
USD/JPY	148.41	152.44