

DOMESTIC NEWS

The Kenyan shilling held steady against the U.S. dollar on Monday, trading at 129.00/129.40, unchanged from Friday's close. (Refinitiv).

Kenya's public debt has hit a record Sh11.35 trillion, mainly due to increased domestic borrowing from banks, insurers, and pension funds. This marks a 9.3% rise from March 2024, with domestic debt growing faster than external debt. The government turned to the local market amid a high budget deficit, despite earlier promises to rely on cheaper loans from institutions like the World Bank. While interest rates on government securities have fallen, the high borrowing risks crowding out private sector lending. Public debt now stands at 70% of GDP, raising concerns over future debt servicing pressures. (Business Daily)

In other local news, Kenya's exports to China fell by 9.12% to Sh26.32 billion in 2024, marking the steepest drop in 11 years, mainly due to reduced shipments of titanium ores following the closure of Base Titanium's Kvale mines. Titanium exports to China dropped by 57%, from Sh9.9 billion to Sh4.25 billion, as mineral reserves were depleted. Titanium had been Kenya's top export to China, accounting for 16% of total export earnings. Other exports like copper scrap and tea saw increases. Despite earlier efforts to diversify exports to China, the mining decline highlights Kenya's dependence on a few key commodities. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	127.50	131.50	127.50	131.50
GBP/KES	169.00	176.00	169.00	176.00
EUR/KES	142.00	147.50	142.00	147.50
AED/KES	34.00	37.00	34.00	37.00

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	5.00%	1.50%
1 Month	5.50%	2.25%
3 Months	6.00%	2.50%
6 Months	6.25%	2.75%
1 year	6.50%	3.00%



USD movement from February 2025 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar dropped 0.7% on Monday after Moody's downgraded the U.S. sovereign credit rating from AAA to Aa1, citing the government's failure to address its growing \$36 trillion debt. This marks the first time all major rating agencies have removed the U.S.'s top rating. The downgrade coincided with progress on President Trump's proposed tax bill, estimated to add \$3–\$5 trillion to the debt over a decade. The dollar's fall ends a four-week rally driven by improved U.S.–China relations. Despite concerns, recent data shows continued foreign investment in U.S. assets, though China reduced its Treasury holdings by \$19 billion.

EUR/USD rose 0.7% to 1.1243, helped by a weaker US dollar ahead of the eurozone inflation data showing modest price growth, with the ECB expected to cut rates in June as business sentiment remains strong. GBP/USD also gained 0.7% to 1.3367 after the UK and EU reached a 12-year fishing rights agreement, boosting the pound and signaling closer UK-EU ties that could push EUR/GBP below 0.8400 and GBP/USD toward 1.3400.

USD/JPY fell 0.5% to 144.90 as the Bank of Japan signaled more rate hikes if the economy recovers, with the yen gaining despite a 0.7% contraction in Q1 2025. USD/CNY rose 0.1% to 7.2127, boosted by stronger-than-expected industrial production in China, though weaker retail sales highlighted softer domestic demand. AUD/USD climbed 0.3% to 0.6424, recovering from earlier losses ahead of a likely 25 basis point rate cut by the Reserve Bank of Australia amid slowing inflation and rising global risks.

Oil prices held steady as uncertainty over U.S.-Iran nuclear talks weighed against strong Asian demand and cautious China economic outlook. A deal to ease sanctions and boost Iran's exports faces hurdles over uranium enrichment. Meanwhile, healthy refining margins in Asia support near-term demand.

Gold prices rose sharply on Monday, gaining safe haven demand after Moody's downgraded the U.S. credit rating from 'Aaa' to 'Aa1' over concerns about high government debt and fiscal spending. Spot gold climbed 1.2% to \$3,240.38 an ounce, with futures up 1.8%. The downgrade intensified worries about the fiscal deficit, especially amid proposed tax cuts, leading to higher U.S. Treasury yields and a weaker dollar, which further supported gold prices. (Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1054	1.1457
GBP/USD	1.3173	1.3575
USD/ZAR	16.0657	20.0740
USD/AED	3.6528	3.6933
USD/JPY	142.37	146.38