

DOMESTIC NEWS

The Kenyan shilling strengthened slightly against the U.S. dollar on Tuesday, supported by remittance and NGO inflows. It traded at 128.80/129.40 per dollar, up from 128.95/129.45 in the previous session. (Refinitiv).

The Treasury will present a third supplementary budget for the 2024/25 fiscal year, a rare move last seen during the COVID-19 era. The revision is driven by a revenue shortfall of up to Sh161.9 billion and rising spending pressures, including education reforms, union agreements, and Universal Healthcare. With the fiscal deficit now estimated at Sh887.1 billion (5.1% of GDP), the government is expected to increase borrowing. Revenue targets have been missed due to economic slowdown, social unrest, and the withdrawal of the Finance Bill 2024. The upcoming Finance Bill 2025 is projected to raise only Sh25–30 billion, prompting economists to urge spending cuts as revenue growth alone appears insufficient for fiscal stability. (Business Daily)

In other local news, Nairobi has risen to 107th globally in the latest Global Startup Ecosystem Index, up from 113th last year, thanks to increased public and private investment in startup support. Kenya also improved its global ranking to 58th, breaking into the top 60 for the first time. Nairobi remains 3rd in Africa and the leading startup hub in Eastern Africa. Key drivers include initiatives like the Kenya Innovation Bridge and the launch of a digital nomad visa. Mombasa re-entered the global top 1,000 at position 916, while Kisumu dropped out after making the list last year. (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	170.00	176.50	170.00	176.00
EUR/KES	142.00	149.00	142.00	149.00
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 continued to weaken on Tuesday, with the Dollar Index falling 0.3% to 100.05, following a 0.6% drop the previous day. The decline was fueled by Moody's downgrade of the U.S. credit rating and concerns over a proposed tax bill that could add up to \$5 trillion to the national debt. Despite some recovery in U.S. markets from April's losses linked to President Trump's "reciprocal" tariffs, the dollar remains over 7% lower year-to-date. Analysts at Citi say the dollar's weakness is unlikely to be a deliberate policy, given the risks of market instability and inflationary pressures from tariffs. The U.S. is expected to avoid aggressive dollar depreciation while trade talks with China and Japan continue.

The EUR/USD traded 0.2% higher to 1.1266, supported by growing hopes for a Ukraine-Russia peace deal involving the U.S., European Union countries, and Britain. Germany's producer price index fell 0.6% in April, reinforcing expectations of an ECB rate cut in June. GBP/USD rose 0.2% to 1.3386, buoyed by a reset in UK-EU relations following a summit that ended on Monday.

In Asia, the USD/JPY declined 0.4% to 144.31 as the Bank of Japan indicated further interest rate hikes are likely. USD/CNY edged up 0.1% to 7.2198 after the People's Bank of China cut its benchmark lending rates to stimulate economic growth amid ongoing trade tensions with the U.S. AUD/USD gained 0.6% to 0.6422 following the Reserve Bank of Australia's decision to cut its cash rate to 3.85%, citing a weaker global outlook and cooling inflation.

Gold prices rose amid reports that Israel is preparing for a possible strike on Iran's nuclear sites, boosting safe-haven demand. The weaker U.S. dollar and ongoing concerns about U.S. fiscal health and trade uncertainties also supported gold. Spot gold increased 0.4% to \$3,302 an ounce, while June futures rose 0.6%. The potential Israeli strike raises geopolitical risks in the Middle East, likely triggering retaliation from Iran and further market volatility. Other precious metals were mixed, with platinum falling and silver gaining slightly.

Oil prices rose over 1% following reports that Israel may strike Iranian nuclear sites, raising concerns about supply disruptions in the Middle East. Brent crude climbed to \$66.35 a barrel, and U.S. WTI reached \$62.99. The potential attack threatens Iran's oil production and risks regional instability, including possible Iranian retaliation by blocking shipments through the Strait of Hormuz. These tensions add to ongoing U.S.-Iran nuclear talks and sanctions. (Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1141	1.1544
GBP/USD	1.3249	1.3653
USD/ZAR	15.8988	19.9029
USD/AED	3.6526	3.6936
USD/JPY	141.61	145.61