

DOMESTIC NEWS

Kenya's shilling (KES) remained stable against the U.S. dollar on Tuesday, with the exchange rate holding at 129.00 per dollar, the same level as Friday's close. The stability was attributed to a decline in demand for foreign currency from manufacturers, easing pressure on the local currency. (Refinitiv).

Over 14 commonly imported vehicle models are missing from the Kenya Revenue Authority's (KRA) updated price list that will be used to calculate taxes on used car imports starting July 1. The absence of these models has raised concerns among importers, who fear that KRA will rely on external market prices to determine duty, an approach previously criticized for leading to high and unpredictable tax rates. The Car Importers Association of Kenya has called for a three-month delay in implementing the changes, warning that the new pricing structure could increase import duties by at least Sh150,000 per vehicle. The changes are expected to hit low-cost and small-engine vehicles the hardest, affecting affordability for budget-conscious buyers and those in the ride-hailing sector. (Business Daily)

On other local news The Central Bank of the UAE and the Central Bank of Kenya signed two agreements on June 3 to strengthen trade and financial cooperation. The first promotes the use of local currencies in bilateral transactions, while the second aims to link the countries' payment systems for greater efficiency, including real-time payments and card integration. The move is expected to lower transaction costs, boost trade, and enhance digital payment systems between the two nations. (Bloomberg).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	127.50	131.50	127.50	131.50
GBP/KES	171.00	178.00	171.00	178.00
EUR/KES	143.00	150.00	143.00	150.00
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 slightly increased on Tuesday but stayed close to a six-week low due to uncertainty around trade policies and concerns over economic outlook. The Dollar Index rose 0.2% after hitting its lowest point since April. The Trump administration is pushing for favorable trade proposals from partners, while U.S. tariffs on steel and aluminum are set to double, signaling possible economic challenges. Weak manufacturing data, especially a sharp decline in exports, indicates growing strain from trade tensions. Investors await the release of labor and durable goods data, with expectations of further economic softness that could pressure the dollar downward.

The euro fell 0.2% to 1.1415 against the U.S. dollar after briefly reaching a six-week high, as markets awaited May's flash eurozone inflation data. Inflation is expected to slow to 2.0% from April's 2.2%, potentially giving the European Central Bank (ECB) space to cut interest rates by 0.25% on Thursday. Analysts at ING noted that while the data is unlikely to change expectations for the rate cut, it could prompt ECB President Lagarde to deliver a more dovish message.

The British pound edged down 0.2% to 1.3518 but remained supported as the Bank of England stays cautious on rate cuts due to high inflation. U.K. house prices rose 3.5% year-on-year in May, with a strong 0.5% monthly gain, reversing April's drop.

The U.S. dollar rose 0.1% against the yen to 142.88 as safe-haven demand for the yen eased. Meanwhile, the Chinese yuan dipped 0.1% to 7.1906 following weak manufacturing data. China's PMI showed unexpected contraction in May, with export orders stalling due to high U.S. tariffs.

Oil prices edged lower in Asian trade on Wednesday due to concerns over rising OPEC+ output and global economic risks from tariff tensions. However, supply worries from Canada helped limit the decline. Brent crude fell 23 cents (0.4%) to \$65.40 per barrel, while WTI dropped 25 cents (0.4%) to \$63.16 per barrel.

Gold traded steadily in Asian markets on Wednesday, with spot gold flat at \$3,353.71 per ounce and August futures at \$3,377.72 per ounce. Prices were rangebound as improved risk appetite driven by potential talks between U.S. President Trump and China's Xi Jinping offset safe-haven demand. Despite a temporary trade truce between the U.S. and China, gold remained supported amid continued uncertainty over a lasting deal, rising U.S. tariffs, and escalating geopolitical tensions involving Russia-Ukraine and U.S.-Iran. (Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1163	1.1565
GBP/USD	1.3310	1.3711
USD/ZAR	15.8657	19.8715
USD/AED	3.6527	3.6932
USD/JPY	142.24	146.29