TREASURY MARKET UPDATE 15TH JULY 2025

DOMESTIC NEWS

Kenya's shilling remained stable against the U.S. dollar on Monday, with commercial banks quoting it at 129.00/129.40 per dollar, unchanged from Friday's close. (Refinitiv).

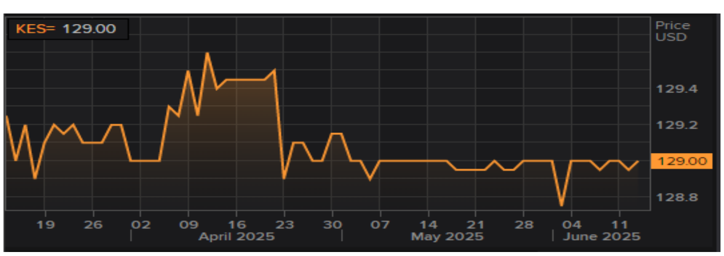
Fuel prices in Kenya have surged sharply, by over Sh8.50 per litre, following last month's Israel-Iran war, marking the biggest increase in nearly two years. Petrol now costs Sh186.31 per litre in Nairobi, diesel Sh171.58, and kerosene Sh156.58. The spike, driven by disrupted oil supplies and increased shipping costs during the conflict, is expected to strain inflation and household budgets, especially as salaries remain stagnant. Globally, Brent crude prices hit a five-month high of $81.40 per barrel amid fears Iran might close the vital Strait of Hormuz, through which 20% of global oil passes. Prices have since eased to $70 after a fragile ceasefire. Kenya's Energy Cabinet Secretary Opiyo Wandayi warned that while Kenya's government-to-government fuel import deal cushions against shortages, global price hikes still impact local costs. The fuel supply deal with Gulf producers has been extended to March 2028. (Business Daily).

Meanwhile, Remittances to Kenya rose 5.8% to $2.519 billion in the first half of 2025, ahead of a new U.S. law that will impose a 3.5% tax on money transfers abroad starting January 2026. The U.S., Kenya's top remittance source, accounted for 57% of inflows in May. The tax, part of President Trump's "America First" policy, targets non-commercial transfers and could significantly affect Kenyan households and investments. Remittances remain Kenya's leading source of foreign exchange, surpassing tourism and exports. (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	171.00	180.00	171.00	180.00
EUR/KES	147.00	155.50	147.00	155.50
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 April 2025 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar edged slightly higher on Monday after President Trump announced plans to impose 30% tariffs on imports from the EU and Mexico starting August 1. The Dollar Index rose 0.1% to 97.577, building on last week's 2% gain, its strongest since early December. Despite the tariff threat, market reaction has been relatively muted, with analysts viewing it as a negotiating tactic rather than a guaranteed policy shift. ING analysts expect trade deals to be reached before the deadline, avoiding a repeat of April's market turmoil. Other key factors that could influence the dollar this week include Tuesday's release of U.S. inflation data and the potential announcement of new sanctions on countries purchasing Russian oil—developments that could further boost the dollar, particularly against energy-importing economies.

The euro fell to a three-week low after President Trump threatened 30% tariffs on EU imports, with EUR/USD dropping 0.1% to 1.1683. EU Commission President Ursula von der Leyen called the tariffs unfair but said the EU would delay countermeasures and seek a negotiated deal. Analysts expect increased trade tensions and suggest the euro may face further pressure in the short term.

The British pound fell to a two-week low at 1.3476 after data showed the U.K. economy contracted for a second month in May. Investors are increasingly negative on sterling due to concerns over fiscal constraints facing Chancellor Rachel Reeves.

The USD/JPY rose 0.1% to 147.21, while USD/CNY held steady at 7.1682, as investors stayed cautious amid new U.S. tariff announcements and positive Chinese trade data.

Oil prices fell on Tuesday as President Trump's 50-day deadline for Russia to end the Ukraine war eased immediate fears of supply disruptions. Brent dropped to $68.92 and WTI to $66.63 per barrel. The softer stance reduced concerns over near-term sanctions, though Trump's tariff threats continue to weigh on market sentiment. Analysts noted that if sanctions proceed, major Russian oil buyers like China, India, and Turkey could face tough trade-offs between cheap oil and potential U.S. trade penalties. (Investing.com).

Gold prices rose on Tuesday, supported by global trade tensions that boosted demand for safe-haven assets. Investors are also awaiting U.S. inflation data, which could influence the Federal Reserve's interest rate decisions. As of 0436 GMT, spot gold was up 0.5% at $3,360.35 per ounce, while U.S. gold futures rose 0.3% to $3,369.50. (Investing.com)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1484	1.1885
GBP/USD	1.3241	1.3645
USD/ZAR	15.8471	19.8515
USD/AED	3.6529	3.6932
USD/JPY	145.68	149.71