

TREASURY MARKET UPDATE 25TH JULY 2025

DOMESTIC NEWS

The Kenyan shilling remained stable against the U.S. dollar on Thursday, trading at 129.00/129.40 the same level as Wednesday reflecting steady market conditions. (Refinitiv).

Moody's has warned that Kenya faces significant challenges in accessing external financing without active programmes from the IMF and World Bank, which are seen as critical to maintaining market confidence and preserving foreign exchange reserves. The country has struggled to unlock \$750 million from the World Bank due to unmet governance reforms, including delays in passing a tough conflict of interest bill, and is currently without IMF support following the termination of a previous arrangement over missed fiscal targets. While Kenya is in talks for a new IMF programme, the absence of concessional funding risks pushing the government toward increased domestic borrowing or spending cuts, further straining public finances.

Meanwhile Investors are pushing the Central Bank of Kenya to offer higher returns on government securities, citing the government's heavy borrowing needs to cover a Sh923.2 billion fiscal deficit. Recent auctions show rising yield demands, with some exceeding existing interest rates. Despite CBK's resistance, upcoming August bond sales will test its stance. The tax-free nature of these bonds may ease yield pressure, but past revenue shortfalls and budget revisions suggest further fiscal adjustments are likely. (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	179.00	171.00	179.00
EUR/KES	147.00	155.00	147.00	154.50
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 May 2025 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar inched higher on Thursday but remained near two-week lows, with the Dollar Index rising 0.1% to 97.002. Despite recent gains, the greenback has dropped around 1.5% over the past week, weighed down by limited market reaction to trade deal news and a lack of strong economic data. Analysts suggest any short-term recovery in the dollar will likely depend on upcoming data releases, including jobless claims and PMI reports. Market focus is also on the Federal Reserve, as President Trump—an outspoken critic of Fed Chair Jerome Powell—is expected to visit the central bank, potentially influencing sentiment.

EUR/USD fell 0.1% to 1.1767, though it remains near a four-year high. The dip comes ahead of the European Central Bank meeting, where rates are expected to be held steady after eight consecutive cuts. Optimism around a possible EU-U.S. trade deal limits the risk of a dovish surprise, but currency discussions still pose downside risks. GBP/USD dropped 0.2% to 1.3549, following a 0.4% gain in the previous session. Despite the dip, strong inflation and a U.K.-U.S. trade agreement support expectations that U.K. interest rates will stay among the highest in major economies.

USD/JPY fell 0.2% to 146.24, as the yen strengthened for a fourth consecutive day. Gains were driven by a newly announced U.S.-Japan trade deal that reduced proposed tariffs from 25% to 15%, boosting investor sentiment. AUD/USD rose 0.2% to 0.6615, supported by broader regional optimism following the positive outcome of the U.S.-Japan trade agreement. USD/CNY slipped 0.1% to 7.1522, also benefiting from improved regional sentiment tied to easing trade tensions between the U.S. and Japan.

Oil prices rose on Friday as optimism over global trade talks boosted the outlook for economic growth and oil demand, outweighing concerns about potential increased supply from Venezuela. Brent crude climbed to \$69.38 and WTI to \$66.23, both up 0.30%. Markets were lifted by the recent U.S.-Japan trade deal and signs of progress toward a U.S.-EU agreement ahead of an August 1 tariff deadline.

Gold prices declined on Thursday as strong tech earnings and a U.S.-Japan trade deal boosted investor risk appetite, reducing demand for safe havens. Spot gold fell 0.5% to \$3,369.40, while futures dropped 0.7% to \$3,374.50, reversing most of the week's earlier gains. Despite the drop, gold remains within its typical \$200/oz trading range, below April's record highs above \$3,500. (Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1547	1.1948
GBP/USD	1.3288	1.3693
USD/ZAR	15.6444	19.6507
USD/AED	3.6530	3.6931
USD/JPY	144.90	148.94