

TREASURY MARKET UPDATE 29TH JULY 2025

DOMESTIC NEWS

The Kenyan shilling held steady against the U.S. dollar on Monday, trading at 129.00/129.40, the same levels as Friday, amid stable market conditions. (Refinitiv).

Rising fuel prices in Kenya are likely to challenge the government's inflation midpoint target of 5%, as the depletion of the fuel subsidy fund has led to sharp increases in pump prices, exposing consumers to global market volatility. Analysts warn that if the trend continues, it could push inflation higher, especially given the country's reliance on fuel for transport, energy, and agriculture. Despite steady inflation at 3.8% in June 2025 and recent interest rate cuts by the Central Bank to support economic recovery, concerns persist over potential fiscal strain and slowed private sector growth if fuel costs remain elevated or subsidies are reintroduced amid ongoing geopolitical tensions.

Meanwhile Development spending from Kenya's national budget fell below 10% for the second year in a row, with only Sh335.08 billion out of Sh3.57 trillion used for domestically financed projects in the 2024/25 financial year. Budget cuts have mainly affected infrastructure projects, limiting job creation and slowing economic activity. Although the 2025/26 budget projects increased capital spending, lawmakers and economists warn that actual implementation may fall short due to structural challenges and frequent downward revisions in supplementary budgets. (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	145.00	155.00	145.00	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 strengthened on Monday after a trade deal was reached between the U.S. and the European Union, easing investor concerns over potential tariffs. The Dollar Index rose 0.4% to 97.815, although it remained on track for a weekly loss of around 1%, its weakest in a month. The agreement, which includes a reduced 15% tariff on EU imports and significant European investment in the U.S., boosted market confidence. Attention now turns to key U.S. economic data and the Federal Reserve meeting this week, with analysts expecting the Fed to maintain its current stance on interest rates amid signs of stable inflation and a potential GDP rebound.

EUR/USD dropped 0.5% to 1.1688 as the euro retreated from recent highs following the U.S.-EU trade deal. Analysts expect further downside toward 1.1600 if the Fed maintains its current rate stance, with markets eyeing upcoming eurozone GDP and inflation data. GBP/USD slipped 0.2% to 1.3409 amid concerns over the U.K.'s weak economic outlook and possible tax hikes. Analysts see potential for a drop to 1.3150 if U.S. data boosts the dollar further.

USD/JPY rose 0.4% to 148.25 ahead of the Bank of Japan's meeting, supported by the recent U.S.-Japan trade agreement, though domestic political uncertainty weighs on sentiment. AUD/USD fell 0.7% to 0.6521, reversing recent gains, while USD/CNY edged up 0.1% to 7.1738 amid ongoing global trade and economic uncertainty.

Gold prices held near three-week lows in Asian trading on Tuesday, as a stronger U.S. dollar and easing global trade tensions reduced demand for the safe-haven metal. Spot gold rose 0.2% to \$3,319.25 an ounce, while gold futures also gained 0.2% to \$3,374.70. The metal has declined for four straight sessions, with recent progress in U.S. trade deals dampening investor interest ahead of this week's key Federal Reserve policy decision.

Oil prices dipped on Tuesday as investors weighed the economic impact of the U.S.-EU trade deal and awaited the U.S. Federal Reserve's rate decision. Brent crude fell to \$69.98 and WTI to \$66.60, following strong gains in the previous session. While the trade deal eased fears of a broader trade war, doubts over the EU's ability to meet its \$750 billion U.S. energy purchase commitment added to market uncertainty.

(Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1380	1.1781
GBP/USD	1.3146	1.3551
USD/ZAR	15.8821	19.8862
USD/AED	3.6528	3.6932
USD/JPY	146.22	150.25