

TREASURY MARKET UPDATE 06TH AUGUST 2025

DOMESTIC NEWS

The Kenyan shilling remained steady against the U.S. dollar on Tuesday, trading at 129.00/129.40, with no change from the previous day amid stable market conditions. (Refinitiv).

Kenya's forex reserves have dropped by Sh65.8 billion in three weeks due to heavy external debt repayments and delays in disbursement of new foreign loans. The reserves fell to \$10.69 billion as of July 31, mainly due to payments to China for SGR loans, which made up over 80% of July's debt servicing. With external debt at Sh5.03 trillion, the country faces pressure on reserves and the exchange rate, especially after delays in key loans like a \$750 million World Bank facility and the early end of a \$3.6 billion IMF programme. Moody's has warned of further strain in the absence of new concessional funding.

Meanwhile Kenya's private sector activity contracted sharply in July, with the Stanbic PMI dropping to 46.8 due to anti-government protests, rising fuel costs, and weak consumer demand. Manufacturing and services were hardest hit, while agriculture, construction, and retail saw slight growth. Violent protests led to over 60 deaths and widespread disruption. Firms faced the steepest rise in input costs this year, mainly from higher fuel prices and taxes, pushing up consumer prices. Despite the downturn, business confidence rose to a 15-month high, with some companies planning expansion. (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	167.00	175.00	167.00	175.00
EUR/KES	143.00	154.00	143.00	154.00
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 May 2025 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar steadied on Tuesday after recent losses triggered by a weak July jobs report, which led traders to price in a high likelihood of Federal Reserve rate cuts starting in September. The Dollar Index rose 0.2% to 98.765 after hitting a one-week low. Markets now see a 90% chance of a rate cut next month, with Goldman Sachs forecasting three consecutive cuts. Fed officials, including Mary Daly, signaled openness to further easing amid signs of a weakening labor market. Traders also remain cautious due to ongoing global tariff uncertainties impacting economic outlook.

The euro fell 0.3% to 1.1544 as France's services PMI dropped to 48.5 in July, reflecting worsening business sentiment due to political uncertainty and weak demand. The eurozone's upcoming PPI data may heighten concerns over low inflation. EUR/USD is expected to remain near the 1.1550 range unless influenced by U.S. data. GBP/USD dipped 0.1% to 1.3277.

USD/JPY edged up to 147.25 on strong Japanese services data, while AUD/USD rose slightly and USD/CNY climbed despite better-than-expected Chinese PMI. The Indian rupee weakened sharply, with USD/INR hitting a record high at 87.800, following U.S. tariff threats over India's Russian oil imports.

Oil prices rebounded on Wednesday from a five-week low, with Brent rising to \$68.07 and WTI to \$65.56, amid fears of supply disruptions after U.S. President Trump threatened tariffs on India for buying Russian oil. Market concerns grew over possible secondary sanctions, including on China. While analysts believe the market could absorb India's exit, a wider withdrawal from Russian oil poses a larger risk. Tuesday's price drop, over \$1 per barrel, was driven by oversupply worries linked to OPEC+'s planned output increase in September.

Gold prices dipped slightly on Tuesday, with spot gold down 0.2% to \$3,364.65 and December futures at \$3,419.02, consolidating after a three-day rally. The gains were driven by weak U.S. jobs data—July nonfarm payrolls rose by just 73,000 and unemployment hit 4.2%—fueling expectations of a Federal Reserve rate cut in September. Markets now price in a 92% chance of a cut, with trade tensions also supporting gold's appeal.

(Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1380	1.1783
GBP/USD	1.3103	1.3510
USD/ZAR	15.8555	19.8598
USD/AED	3.6528	3.6932
USD/JPY	145.40	149.41