

## TREASURY MARKET UPDATE 12<sup>TH</sup> AUGUST 2025

### DOMESTIC NEWS

On Monday, the Kenyan shilling was unchanged against the U.S. dollar, trading at 129.00/129.40 in a calm market environment. (Refinitiv).

Kenya plans to raise the Sh24,000 tax-free income threshold and lower the top income tax rate in the 2026 Finance Bill to ease the burden on low- and high-income earners, contrary to the World Bank's call for higher taxes on top earners. Lawmakers propose aligning the top PAYE rate with a reduced corporate tax of 25%, while the World Bank suggests raising it to 38% for high incomes and cutting rates for lower earners. Wage growth has lagged behind inflation for five years, with real pay falling from Sh62,256 in 2020 to Sh55,451 in 2023, further squeezed by additional taxes and levies. The Treasury is cautious on major tax changes after last year's anti-tax protests.

Meanwhile The Kenyan shilling has held steady at about Sh129 per dollar for a year, giving importers price stability and lowering costs for dollar-based purchases. It has weakened against the euro and pound, boosting earnings for exporters and remittance recipients in those currencies, while strengthening against Ugandan and Tanzanian shillings, making imports from those countries cheaper. The stability has reduced speculation in the dollar and allowed the CBK to raise forex reserves to a record \$11.2 billion through market measures and foreign inflows. (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	170.00	176.00	170.00	176.00
EUR/KES	146.00	154.00	146.00	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 US dollar held steady on Monday ahead of the August 12 US-China tariff deadline and key US inflation data that could shape expectations for a September Federal Reserve rate cut. Weaker jobs and manufacturing data have increased the likelihood of easing, with markets pricing a 90% chance of a cut and two moves by year-end. A 0.3% rise in July's core CPI would still leave room for cuts, though tariff-driven inflation could delay action. Trade talks are expected to yield a 90-day truce, while Nvidia and AMD have reportedly agreed to give 15% of China sales revenue to the US government in exchange for semiconductor export licenses. (Economies.com)

GBP/USD neared the 1.3400 resistance on Monday, weighed down by a stronger US dollar amid expectations of a US-China trade truce extension and uncertainty over the Bank of England's rate-cut timing. EUR/USD fell for a second straight session, briefly slipping below 1.1600 as traders awaited Tuesday's US CPI data and assessed the impact of a 90-day extension to the trade truce. (Fxstreet.com)

USD/CNY edged lower to 7.1830 after Chinese inflation data showed deflationary pressures persisted, keeping focus on U.S.-China trade talks ahead of the August 12 deadline for a permanent truce—likely to be extended. USD/JPY slipped 0.1% to 147.63 in thin trade due to a Japanese holiday, while AUD/USD dipped 0.1% to 0.6519 before the RBA meeting, where a rate cut is expected. (investing.com)

Oil prices rose on Tuesday as the U.S. and China extended their tariff truce by 90 days, easing fears of a trade war escalation that could dent global growth and fuel demand. Brent climbed 0.4% to \$66.90 per barrel, while WTI gained 0.4% to \$64.20. The extension boosted hopes for a broader deal between the world's two largest economies. Prices were also supported by signs of weakness in the U.S. labour market, raising expectations for a September Fed rate cut, and investors awaited U.S. inflation data for further direction.

Gold prices fell after President Trump confirmed there would be no tariffs on the metal, easing fears of supply chain disruptions, particularly for Switzerland, a key refining hub. U.S. gold futures dropped 2.4% to \$3,407 per ounce, while spot gold fell 1.2% to \$3,357. (Investing.com).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1413	1.1814
GBP/USD	1.3235	1.3640
USD/ZAR	15.7372	19.7419
USD/AED	3.6528	3.6933
USD/JPY	146.25	150.27