

## TREASURY MARKET UPDATE 20<sup>TH</sup> AUGUST 2025

### DOMESTIC NEWS

The shilling held firm on Tuesday, quoted at 129.00/129.40 versus the U.S. dollar in calm market activity. (Refinitiv).

The Treasury failed to release the Sh34.6 billion equitable share to counties in July, the first month of the 2025/26 fiscal year, despite a budgeted allocation of Sh415 billion for the year. This marks a setback after it had cleared previous arrears by June 2025, following years of delayed disbursements. Counties, which rely heavily on these funds to pay salaries, finance projects, and clear contractor bills, are also expecting Sh93.5 billion in grants in addition to their share. Major beneficiaries this year include Nairobi, Nakuru, Turkana, Kakamega, Kiambu, Kilifi, and Mandera, each due to receive over Sh12 billion. The lapse risks reigniting disputes with governors as the national government juggles heavy debt obligations and tight revenues. (Business Daily).

On other local news, CBK has launched a Sh50 billion tap sale of August infrastructure bonds after the Sh95 billion raised in the primary auction was fully used to redeem a maturing two-year bond. The oversubscribed issue, which attracted Sh323.4 billion in bids, offered yields of 12.99% (15-year) and 13.99% (19-year). With August debt obligations above Sh350 billion and a fiscal deficit of Sh923.2 billion, the government is under pressure to raise Sh635.5 billion domestically and Sh287.7 billion externally, reinforcing reliance on rollovers and keeping yields elevated. (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	178.00	171.00	178.00
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 U.S. dollar edged lower Tuesday, with the Dollar Index down 0.1% to 97.92, as caution set in after the White House-Ukraine summit. While President Trump pledged U.S. security guarantees for Ukraine in any peace deal, uncertainty lingers with no ceasefire in place and Russia intensifying drone and missile strikes. Markets remain wary over unresolved territorial disputes and are also looking ahead to the Fed's Jackson Hole symposium, where Chair Powell will speak Friday. With an 83% probability priced in for a September rate cut, investors are watching today's comments from Fed Governor Michelle Bowman and tomorrow's FOMC minutes for further policy signals.

In Europe, EUR/USD edged up 0.1% to 1.1677 on optimism from Ukraine peace talks, with ING seeing potential for a break above 1.1700 this week. Still, analysts warned that if Europe bears more of the deal's burden, relief gains could quickly reverse into outflows from the euro and pound.

GBP/USD edged up 0.1% to 1.3520 ahead of Wednesday's inflation data, with ING expecting headline and services inflation to rise to 3.7% and 4.8%. The outlook has reinforced hawkish sentiment, with bets on another BoE cut by year-end easing to 14bp.

Elsewhere, Elsewhere, USD/JPY eased 0.1% to 147.67, USD/CNY dipped to 7.1828, and AUD/USD fell 0.1% to 0.6485 amid thin trading, with markets cautious over Russia-Ukraine peace prospects and awaiting guidance from the Fed's Jackson Hole symposium.

Gold prices were steady in Asian trade Wednesday, with spot gold up 0.1% to \$3,319.14/oz and October futures at \$3,361.20/oz, as traders stayed cautious ahead of Fed Chair Powell's speech at Jackson Hole. Uncertainty over a September rate cut, following hotter U.S. producer inflation data and Trump's tariffs, kept flows tilted toward the dollar despite broader risk-off sentiment. Safe-haven demand from the Ukraine conflict was also muted, leaving gold under pressure as markets await clearer policy signals.

Oil prices held steady Wednesday as markets weighed Ukraine peace talks against ongoing sanctions on Russian crude. Brent rose 11 cents to \$65.90, while WTI September rose 5 cents to \$62.40 and the October contract added 13 cents to \$61.90. This followed a 1% drop Tuesday on hopes a deal could lift sanctions and boost supply. (Investing.com).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1425	1.1826
GBP/USD	1.3296	1.3700
USD/ZAR	15.7087	19.7031
USD/AED	3.6524	3.6929
USD/JPY	145.13	149.15