

TREASURY MARKET UPDATE 25TH AUGUST 2025

DOMESTIC NEWS

The shilling remained stable on Friday, trading at 129.00/129.40 against the U.S. dollar amid subdued market activity. (Refinitiv).

Kenyan companies expanded aggressively abroad in 2023, with outward assets rising 36.8% to Sh834.2 billion, the fastest annual growth in recent years, driven mainly by banks and telcos seeking higher returns in markets like Uganda (Sh104.6B), Ethiopia (Sh101.9B), and Tanzania (Sh96.7B). Other key destinations included the DRC, Mauritius, South Africa, and the UK, while holdings in the US and UAE declined sharply. Fresh foreign investments more than doubled to \$1.31 billion (Sh169.1B), led by firms such as KCB, Equity, and Safaricom. At the same time, Kenya attracted Sh242.6B in FDI inflows, up from Sh118.2B in 2022, with the ICT sector overtaking finance, retail, and manufacturing as the top recipient, drawing Sh64.7B and accounting for over a quarter of foreign capital inflows. The surge highlights growing investor confidence in Kenya's digital economy alongside continued regional expansion by local corporates.

On other local news, at least 26 counties face a funding crisis after the Controller of Budget rejected their 2025/26 budgets over non-compliance. Eighteen counties had budgets returned for disguising recurrent costs or lacking project details, while six failed to submit any. The move threatens salary delays, unpaid suppliers, and service disruptions, with only compliant counties cleared to access funds through IFMIS despite timely Treasury releases. (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	177.00	169.00	177.00
EUR/KES	146.00	154.50	146.00	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 Friday, with the Dollar Index up 0.1% to 98.622, putting it on track for nearly 1% weekly gains and ending a two-week losing streak. The gains come ahead of Fed Chair Jerome Powell's Jackson Hole speech, as traders reassessed September rate-cut expectations. Weak July jobs data and downward revisions for May and June initially raised hopes of a larger 50 bps cut, but market odds of a 25-bps cut fell from 99% last week to 71.5%. Analysts expect Powell to adopt a cautious tone, with upcoming jobs (Sept 5) and CPI (Sept 11) data seen as pivotal for the Fed's decision.

In Europe, EUR/USD fell 0.1% to 1.1593 after weaker-than-expected German growth figures. Germany's Q2 GDP contracted 0.3% QoQ (vs. -0.1% estimated), reversing a 0.3% gain in Q1. Annual growth slowed to just 0.2%, with sharp downward revisions for 2023–24 leaving output still below 2019 levels, highlighting prolonged stagnation. ING noted that Powell's Jackson Hole remarks could push EUR/USD toward 1.1500–1.1520 if markets reassess Fed easing odds back to 50:50 for September.

GBP/USD traded 0.1% higher to 1.3413, down around 1% this week.

In Asia, USD/JPY rose 0.1% to 148.57, showing only a mild reaction to Japan's July CPI data. While headline inflation cooled, core inflation eased less than expected and stayed well above the BOJ's 2% target. The persistence of underlying price pressures limited yen weakness, with markets increasingly betting on another BOJ rate hike later this year. USD/CNY edged up to 7.1817, ending the week slightly higher after the People's Bank of China kept its loan prime rates unchanged. Meanwhile, AUD/USD rose 0.1% to 0.6426.

Gold prices eased in Asian trading Monday, giving back some of Friday's gains that followed dovish remarks by Fed Chair Jerome Powell. Broader risk-on flows limited safe-haven demand, even as a weaker dollar provided some support. Spot gold slipped 0.2% to \$3,363.88/oz, while gold futures fell 0.3% to \$3,408.0/oz, after rallying about 1% on Friday.

Oil prices inched higher on Monday as geopolitical risks and rate cut expectations supported sentiment. Brent crude rose 0.04% to \$67.76, while WTI gained 0.11% to \$63.73 (03:42 GMT). The move followed Ukrainian drone strikes on Russian infrastructure, including a major nuclear plant reactor and the Ust-Luga fuel export terminal, raising supply disruption concerns. Expectations of U.S. rate cuts also lifted the outlook for global growth and fuel demand. (Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1514	1.1916
GBP/USD	1.3319	1.3723
USD/ZAR	15.4693	19.4745
USD/AED	3.6526	3.6931
USD/JPY	145.16	150.18