

## TREASURY MARKET UPDATE 27<sup>TH</sup> AUGUST 2025

### DOMESTIC NEWS

The Kenyan shilling remained flat against the U.S. dollar on Tuesday, trading around 129.20/129.40 KES per USD. (Refinitiv).

Kenya's fiscal deficit rose slightly to 5.8% of GDP in 2024/25, driven by Sh218 billion in carryover spending and weaker tax revenues after the withdrawal of the Finance Bill. Revenues reached Sh2.92 trillion, missing targets, while expenditure totaled Sh3.96 trillion, with higher recurrent costs and lower development spending. Treasury CS John Mbadi defended the outcome, stressing no obligations were carried forward. For 2025/26, revenues are projected at Sh3.32 trillion against Sh4.26 trillion in spending, with the deficit expected to narrow to 4.7% as the government pursues fiscal consolidation. (Business Daily).

On other local news, Kenya expects a Sh96.9 billion (\$750 million) World Bank loan in September 2025 after passing the Conflict-of-Interest Bill, unlocking funds previously withheld. The facility, part of the Bank's policy operations and following a Sh155 billion disbursement in 2024, will ease external financing pressures as the Treasury faces a Sh51.6 billion syndicated loan maturing next month. Some of the funding may be used for debt refinancing, while Treasury CS John Mbadi stressed the importance of securing a new IMF program to access concessional financing, support governance reforms, and build on Kenya's improved debt outlook. The Treasury plans to raise Sh901 billion in 2025/26, with Sh287.4 billion from external sources. (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 held steady on Tuesday after an initial dip sparked by President Trump's unprecedented attempt to fire Fed Governor Lisa Cook, raising concerns over the Federal Reserve's independence. The Dollar Index settled at 98.320, retracing earlier losses, as Cook dismissed Trump's authority to remove her, likely setting up a Supreme Court battle. Analysts cautioned that the move could undermine confidence in the Fed, weaken the dollar, and steepen the yield curve. Attention now shifts to upcoming U.S. economic data, including consumer confidence, Q2 GDP revisions, core PCE inflation, and a policy speech by Fed official Christopher Waller. (Investing.com).

In Europe, the euro slipped 0.1% to 1.1607 as France's Prime Minister Francois Bayrou faces a Sept. 8 confidence vote lacking opposition support. A defeat could trigger new leadership or elections, raising concerns over whether French political instability will weigh more broadly on the euro.

GBP/USD held steady at 1.3466, supported by the Bank of England's hawkish stance, with markets now pricing in only a slim chance of one rate cut this year and fewer than two by mid-2026, according to ING.

Elsewhere, USD/JPY slipped slightly to 147.76, with the safe haven yen gaining a little against the dollar. USD/CNY gained 0.2% to 7.1616, while AUD/USD edged lower to 0.6478 after the Reserve Bank of Australia indicated in its August 11-12 meeting minutes that further policy easing may be needed over the coming year. (Investing.com).

Gold prices retreated in Asian trade after touching a two-week high, as the dollar and Treasury yields rebounded following President Trump's unprecedented attempt to fire Fed Governor Lisa Cook. The metal had initially rallied on safe-haven demand amid fears of political interference in the Fed, but eased as Cook vowed to contest her removal in court and the Fed stressed its independence. Spot gold fell 0.5% to \$3,378.29 an ounce, while October futures dipped 0.1% to \$3,428.70. Markets remain wary that if Trump secures greater influence over the Fed's board, pressure for deeper rate cuts could rise—a scenario that would ultimately support gold. (Investing.com).

Oil prices steadied Wednesday after sharp losses in the prior session, with Brent at \$67.32 and WTI at \$63.33, as markets monitored the Ukraine conflict and assessed the impact of new U.S. tariffs on India, a key crude consumer. Both benchmarks had dropped more than 2% on Tuesday after hitting two-week highs earlier in the week. (Investing.com).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1420	1.1821
GBP/USD	1.3258	1.3662
USD/ZAR	15.6502	19.6600
USD/AED	3.6522	3.6932
USD/JPY	145.71	149.72