

TREASURY MARKET UPDATE 28TH AUGUST 2025

DOMESTIC NEWS

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

Kenya's exports to the US rose by 27.4% in the first half of 2025, reaching Sh52.59 billion, a rebound from last year's decline, largely driven by strong growth in textiles (men's undergarments up 682%, knit t-shirts up 229%) and coffee (up 65%). This surge comes just before the expiry of the African Growth and Opportunity Act (AGOA), which has allowed Kenya to export textiles and nuts duty-free. AGOA has significantly boosted Kenya's textile sector, growing enterprises from 28 in 2020 to 40 by 2024, and employment from 45,588 to 66,804. However, with AGOA ending and the US imposing a 10% tariff on Kenyan goods from August 1, the industry faces reduced competitiveness and thinner margins, though Kenya's burden will be lighter compared to South Africa's 30% tariff. (Business Daily).

On other local news, Kenya's Eurobond yields fell by up to 0.6 points after S&P upgraded its rating to B (stable), signaling stronger investor confidence. The upgrade was driven by lower liquidity risks, steady exports and remittances, and manageable debt service. Some bonds, like the 2018 10-year, now trade below coupon rates. Analysts warn sustained gains depend on fiscal discipline and concessional financing. Treasury plans to refinance a \$400m TDB loan next month and may buy back bonds maturing in 2028 and 2031. (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 gained 0.4% on Wednesday, with the Dollar Index at 98.487, despite concerns over Federal Reserve independence after President Trump attempted to fire Fed Governor Lisa Cook over alleged mortgage improprieties. Cook, through her lawyer, insisted Trump lacks authority to remove her, setting up a likely legal battle. Analysts noted the move raises risks of Fed politicization, which is negative for the dollar, but market reaction has been limited since Cook's challenge could drag in court and her role is not seen as pivotal to near-term policy, with Powell still steering a data-driven approach. (Investing.com).

The euro slipped 0.5% to 1.1586 on political uncertainty in France and weak German data. French PM Francois Bayrou faces a Sept. 8 confidence vote that could oust his government, though markets haven't fully priced in snap election risks. At the same time, Germany's GfK consumer sentiment index fell for a third straight month to -23.6, underscoring fragile household confidence.

GBP/USD fell 0.3% to 1.3445, though hawkish signals from the Bank of England helped limit losses. Analysts at ING expect a sustained break above 1.35 is only a matter of time.

Elsewhere, USD/JPY rose 0.4% to 147.92, while USD/CNY inched up 0.1% to 7.1610. The Aussie dollar slipped 0.3% to 0.6471 despite July CPI rising 2.8% y/y, above forecasts of 2.3% and up from 1.9% in June. (Investing.com).

Gold steadied near a two-week high, supported by expectations of a September Fed rate cut and heightened uncertainty over the central bank's independence after Trump's attempted firing of Governor Lisa Cook. Spot gold slipped 0.2% to \$3,389.96/oz, while October futures rose 0.4% to \$3,445.32/oz. Markets now price an 84.9% chance of a 25 bps cut in September, up from 78.4% a week earlier, after Chair Powell signaled the possibility while noting labor market cooling. The dollar's retreat on easing bets also buoyed gold and other commodities. (Investing.com).

Oil prices slipped Thursday, with Brent down 0.91% to \$67.43 and WTI off 0.97% to \$63.55, as slowing U.S. fuel demand and tariff tensions with India weighed on sentiment. A smaller-than-expected crude stock draw curbed momentum, while rising global supply and Russia-Ukraine energy strikes added pressure. Still, expectations of a possible U.S. rate cut lent some support to the demand outlook. (Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1436	1.1838
GBP/USD	1.3305	1.3706
USD/ZAR	15.6820	19.6870
USD/AED	3.6526	3.6933
USD/JPY	145.24	149.25