

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

### DOMESTIC NEWS

The Kenyan shilling traded steadily against the U.S. dollar on Thursday, hovering at 129.00/129.40 per USD, with limited market activity influencing movement.

The CBK and Treasury plan to rely heavily on reopened bonds in 2025/26 to manage borrowing costs and raise Sh652.8 billion in domestic debt, alongside Sh248.2 billion from external sources, to cover a Sh901 billion deficit. Reopened bonds allow the government to avoid locking into high interest rates, as seen in 2024/25 when yields spiked to 18.27 percent but lower fixed coupon reopenings helped contain costs. The strategy involves at least 36 reopened bonds and only one new 25-year issue, with monthly targets of Sh40–60 billion, though frequent budget revisions remain a risk due to persistent revenue shortfalls and rising expenditure.

On other local news, Kenya and other EAC states were among the top global sources of World Trade Organization (WTO) notifications on Technical Barriers to Trade (TBT) in 2024, signaling improved transparency but also exposing rising trade frictions. While Kenya issued standards on products such as pumpkin seeds and fish, the United States flagged high EAC tariffs—ranging up to 100 percent on goods like sugar, rice, and textiles—alongside subsidies and graft as barriers to trade, prompting reciprocal tariffs and pressure to ease restrictions. (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	172.00	178.00	172.00	178.00
EUR/KES	147.00	154.50	147.00	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 June 2025 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar weakened on Thursday after softer producer price inflation reinforced expectations of a Federal Reserve rate cut next week, shifting focus to the August consumer price index. The Dollar Index fell 0.2% to 97.510 by 08:00 GMT, reversing earlier gains. U.S. PPI dropped 0.1% in August, with a sharp fall in trade services pointing to firms absorbing higher tariff-linked costs. Markets expect headline CPI to rise 2.9% year-on-year and core CPI to hold at 3.1%. With a quarter-point Fed cut already priced in, analysts see dollar risks tilted to the downside if CPI data remains subdued.

Meanwhile, the euro slipped to 1.1693 ahead of the European Central Bank's policy meeting, where rates are expected to remain unchanged after being halved to 2% earlier in the year. While inflation is at target and growth has stabilized, risks from U.S. tariffs on EU imports and political turmoil in France keep the door open for further easing, with analysts eyeing stabilization in the 1.170–1.175 range. Meanwhile, sterling edged 0.1% lower to 1.3514, staying range-bound as traders await next week's UK jobs and inflation data.

The yen weakened, with USD/JPY up 0.2% to 147.77, after Japan's PPI inflation fell 0.2% month-on-month but stayed sticky year-on-year at 2.7%, pointing to possible spillovers into CPI next week. In China, USD/CNY traded slightly higher at 7.1227, rebounding from a 10-month low after softer inflation data pressured the yuan. The Australian dollar slipped 0.2% to 0.6607, consolidating after earlier climbing to a 10-month high, as momentum cooled in the session.

Oil prices fell on Friday, with Brent at \$65.88 and WTI at \$61.86, as oversupply and weak U.S. demand outweighed geopolitical risks. Despite earlier weekly gains on conflict concerns, prices reversed after U.S. inflation and jobless claims data kept Fed rate cut expectations high, highlighting subdued demand fundamentals.

Gold prices eased on Thursday, with spot gold down 0.5% to \$3,622.78 and U.S. futures 0.6% lower at \$3,660.67, as investors turned cautious ahead of U.S. inflation data. Despite the dip, the metal remains near record highs, having surged almost 40% this year on safe-haven demand driven by trade tensions, geopolitical conflicts, and central bank buying, alongside expectations of a Fed rate cut next week. (Investing.com)

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1524	1.1926
GBP/USD	1.3351	1.3754
USD/ZAR	15.3817	19.3900
USD/AED	3.6521	3.6931
USD/JPY	145.38	149.41