

TREASURY MARKET UPDATE 18TH SEPTEMBER 2025

DOMESTIC NEWS

The shilling held steady on Wednesday at 129.00/129.40, supported by balanced importer demand and remittance inflows.

Kenya's record diaspora remittances, which hit Sh666.7 billion in 2024, face risks from new policies in major source markets. The US has introduced a 1% remittance tax and tougher H-1B visa rules, while Nigeria will impose a 20% personal income tax on foreign workers earning above 800,000 naira from 2026. Analysts warn these measures could reduce inflows and disrupt one of Kenya's most reliable foreign exchange sources.

On other local news, the Central Bank of Kenya (CBK) raised KSh 61.44 billion from the reopening of two long-dated Treasury bonds in September, reversing a weak start to its bond sale programme. The 20-year and 25-year papers attracted KSh 97.29 billion in bids against a KSh 40 billion offer, with CBK accepting KSh 23.51 billion and KSh 37.93 billion respectively, at weighted average rates of 13.58% and 14.14%, both below market averages, reflecting strong demand. This contrasted with the earlier 30-year bond reopening, which raised just KSh 2.40 billion out of a KSh 20 billion offer after most bids were rejected over high yield demands. The results suggest investors are more comfortable with shorter long-dated maturities than the ultra-long 30-year tenor. (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	178.50	172.00	178.50
EUR/KES	147.00	155.00	147.00	155.00
AED/KES	34.00	37.00	34.00	37.00

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	6.00%	1.50%
1 Month	6.50%	2.25%
3 Months	7.00%	2.50%
6 Months	7.25%	2.75%
1 year	7.00%	3.00%



USD movement from June 2025 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar index was little changed on Thursday after rebounding from a 3½-year low, following the Fed's 25 bps rate cut that cited labor market pressures while signaling a cautious approach to further easing. Chair Jerome Powell highlighted economic risks from a cooling jobs market and persistent inflation, while new Fed board member Stephen Miran dissented, pushing for a deeper 50 bps cut in line with Trump's calls for aggressive loosening. Asian currencies traded mixed on the news, with safe havens like gold and the yen firming on rising concerns over the U.S. economy.

In Europe, EUR/USD fell 0.2% to 1.1841, easing after hitting a four-year high, as traders awaited Eurozone CPI data projected at 2.1% for August, slightly above July's 2.0% and broadly in line with the ECB's target. GBP/USD edged 0.1% higher to 1.3636 after U.K. inflation held steady at 3.8% year-on-year in August, nearly twice the Bank of England's goal, signaling the central bank is likely to keep policy unchanged.

In Asia, USD/JPY steadied at 146.98, with markets looking to Friday's Bank of Japan meeting and fresh CPI data, as sticky inflation raises the prospect of further tightening despite political uncertainty following Prime Minister Shigeru Ishiba's resignation. USD/CNY slipped 0.1% to 7.1095, with the yuan strengthening to its highest level since November 2024 on the back of Beijing's pledges for more stimulus and continued policy support in currency markets. AUD/USD edged 0.2% lower to 0.6671, pausing after a run of strong gains in recent sessions. (Investing.com)

Oil traded below \$68 for Brent and near \$64 for WTI, staying within a \$5 range as Fed rate cuts, rising U.S. fuel inventories, OPEC+ supply growth, and U.S. tariffs weighed against geopolitical risks. Despite a sharp crude stock draw, higher distillate inventories signaled weak fundamentals, limiting upside potential.

Gold fell 0.8% to \$3,660.75 an ounce after briefly hitting a record \$3,707.57, as the dollar rebounded following the Fed's rate cut and Powell's cautious outlook. Profit-taking and an overbought market added to the pullback, though gold remains up nearly 40% this year on strong safe-haven demand, central bank buying, and ETF inflows. (Bloomberg).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1585	1.1987
GBP/USD	1.3387	1.3792
USD/ZAR	15.4772	19.4800
USD/AED	3.6521	3.6931
USD/JPY	145.44	149.47