

DOMESTIC NEWS

The domestic unit remained firm against the dollar in a rather muted trading session on Tuesday.

Market activity was subdued, with most of the volume driven by corporate participants. The local currency remained steady, supported by balanced flows across both buy and sell counters.

In the near term, we expect the home unit to remain range bound, with directionality dictated by flows from key sectors

Amounts "100,000"	Spot Rates		Forward Rates	
	Opening		USD/KES	
	Buy TT	Sell TT		Buy
USD/KES	125.00	133.50	1 month	125.70
EUR/KES	140.12	159.73	3 Months	127.10
GBP/KES	164.04	182.40	6 Months	129.20
JPY/KES	80.41	92.34	12 Months	133.40

Money Market Rates	Previous	Current	Change Bps
Interbank rate	9.62%	9.66%	+4.00
91-Day T-bill	8.1454%	8.1421%	+0.33
182-Day T-bill	8.4500%	8.4404%	-0.96
364-Day T-bill	9.7134%	9.7218%	+0.84
Inflation Rate	3.80%	3.80%	0.00

Source: Bloomberg



INTERNATIONAL NEWS

The US Dollar strengthened on Tuesday after the June CPI report led traders to reconsider the likelihood of Fed rate cuts. The US CPI report revealed headline inflation rose by 0.3% month on month, the largest increase in five months, bringing the annual rate up to 2.7% from 2.4% in May. Both readings were in line with market expectations. However, Core CPI, which excludes volatile food and energy components, increased by 0.2% MoM, below the forecast of 0.3% and up slightly from the 0.1% gain in May. On an annual basis, core inflation ticked higher to 2.9% from 2.8%, signaling persistent underlying price pressures despite the softer monthly print. Markets now await the Producer Price Index data and crude oil inventories.

EUR/USD backslid on Tuesday, shedding some 0.55% and tumbling to its lowest level in nearly three weeks. Investors repriced their bets on a September rate cut from the Fed after US CPI inflation rose in June, reversing deflationary progress. Across the pond, the European Union economic docket revealed that Germany's ZEW Economic Sentiment Index improved to 52.7, above estimates of 50.4 and up from June's 47.5 reading, the highest level since February 2022.

The GBP/USD shed another two-thirds of one percent top-to-bottom on Tuesday, extending into an eighth consecutive day of Cable losses. The US Dollar caught bids after subliminally hawkish US CPI inflation data which rose through June. Across the pond, the UK economic docket is scarce. Nevertheless, last week's UK GDP report revealed that the economy unexpectedly contracted for the second consecutive month, exerting pressure on the BoE to deliver interest rate cuts towards the end of the year. Money markets show traders expect two rate cuts to the Bank Rate, from 4.25% to 3.75%. Markets await the UK CPI data.

The Japanese Yen weakened further against the US Dollar on Wednesday, pushing USD/JPY above 149.00, its highest since early April. This drop is driven by reduced expectations of a near-term rate hike by the Bank of Japan, worries over US tariff impacts, and rising domestic political uncertainty ahead of the July 20 election.

Indicative Deposit Rates				
Amounts > KES 20 million	Amounts > 100,000			
	Tenor	KES	USD	EURO
Call	6.10%	0.05%	0.10%	
1 month	5.20%	0.10%	0.15%	
3 months	5.20%	0.15%	0.25%	
6 months	5.65%	0.20%	0.30%	

Indicative Cross Rates		
CCY	Buy	Sell
EUR\USD	1.0800	1.1820
GBP\USD	1.2800	1.3800
USD\JPY	139.00	150.00
USD\CHF	0.7700	0.8800

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