



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 1<sup>ST</sup> OCTOBER 2018

### DOMESTIC NEWS

The Kenyan shilling held steady against the US dollar for the second day running on Friday supported by thin end month dollar demand from importers. The local currency traded at 100.80/101.00, same as Thursday's close. We expect the local currency, which has gained around 2.2% against the dollar on a year-to-date (YTD), to remain relatively stable in the short term supported by strong exports' inflows and improving diaspora remittances as demand for the greenback from importers remains subdued.

Meanwhile, Kenya's year-on-year inflation rose to 5.70% - the highest since October 2017 - in September from 4.04% a month earlier as the effects of recently imposed taxes started to bite. The rise was mainly attributed to the more than doubling of the transport index from 7.99% to 17.29%. Similarly, the electricity index rose from 0.47% to 17.44%. In our view, inflation will continue to rise in coming months following imposition of taxes on financial services and pesticides, among others, as the government seeks to shore up its revenue.

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	97.40	104.40	98.40	103.40
GBP/KES	127.45	135.45	127.95	134.95
EUR/KES	113.50	120.50	114.00	120.00
AED/KES	25.95	28.95	25.95	28.95

Money Market Rates	Current	Previous	Change
Interbank Rate	5.9941%	5.7374%	0.257
91-Day T-bill	7.609%	7.618%	-0.009
182-Day T-Bill	8.646%	8.683%	-0.037
364-Day T-Bill	9.6700%	9.676%	-0.006
Inflation	5.70%	4.04%	1.660
CBR RATE	9.00%	9.50%	-0.500

(Source; Central Bank of Kenya)



(Source; Reuters)

### INTERNATIONAL NEWS

The U.S. dollar climbed to a two-week peak against a basket of currencies on Friday as concerns about the Italian budget weighed on the euro while the greenback drew support from an outlook for multiple U.S. interest rate hikes until 2020.

U.S. data on Friday all supported the view of an economy that is on a stable growth path with the U.S. consumer spending rising 0.3%, while a measure of underlying inflation remained at the Fed's 2% target for a fourth straight month.

The euro, meanwhile, slipped below \$1.16 for the first time in two weeks after Italy's government agreed on a budget seen by some investors as defying Brussels. Political wrangling over the budget in heavily indebted Italy has put a lid on a recent revival in the euro's fortunes against the dollar. On Friday, the common currency was last down 0.4% at \$1.1595.

The sterling pound also fell half a percent on Friday after data showed that British companies had cut their investment in the second quarter of 2018 and the economy grew slightly slower than previously thought. The pound had already been under pressure as investors' optimism for a Brexit trade deal has declined ahead of the ruling Conservative party's annual conference next week, while a late rally in the dollar further hurt the British currency, which fell 0.4% to close at \$1.3025.

Elsewhere, global oil prices rose to their highest since November 2014 on Monday ahead of U.S. sanctions against Iran, the third-largest producer in the Organization of the Petroleum Exporting Countries (OPEC) that kick in next month. Benchmark Brent crude, was at \$83.15, up 0.6% from their last close.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
Call	6.50%	2.00%
1 Month	7.50%	2.25%
3 Months	8.50%	2.75%
6 Months	9.50%	3.25%
1 year	9.75%	3.50%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.1545	1.1645
GBP/USD	1.2975	1.3075
USD/AED	3.6675	3.6785
USD/JPY	113.40	114.40

For more details, contact our Treasury staff- Peter and Michael on Tel +254 20 5131311, DL +254 20 513 1351/52, Cell +254 709913351/52. The views expressed here are not solicitation for investment but dealers' own opinion. The bank cannot be held responsible for any losses of whatever nature resulting from action taken based on comments contained in this publication. DIB Bank Kenya Ltd is regulated by the Central Bank of Kenya.