



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 20TH MARCH 2018

DOMESTIC NEWS

In a surprise move, Kenya's central bank Monetary Policy Committee (MPC) cut base interest rates for the first time since September 2016 on Monday, fuelling talk that a government cap on commercial lending rates will be modified or removed soon. The 50 basis point cut in the benchmark lending to 9.5% took the market by surprise as most analysts had forecast no change.

The Kenyan shilling reacted to the rate cut news by edging up slightly against the U.S. dollar. The local currency traded at 101.15/25, marginally stronger than Friday's close of 101.20/40.

We expect the shilling to remain stable in the medium term and receive support from CBK in case of any volatility as the country's foreign exchange reserves have swelled to 8.83 billion dollars equivalent to six months of import cover, an indication that the country has received part of proceeds of the two Eurobonds sold last month.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	97.75	104.75	98.75	103.75
GBP/KES	138.30	146.30	138.80	145.80
EUR/KES	121.10	128.10	121.60	127.60
AED/KES	26.05	29.05	26.05	29.05

Money Market Rates	Current	Previous	Change
Interbank Rate	4.6784%	4.6296%	0.488
91-Day T-bill	8.023%	8.026%	-0.003
182-Day T-Bill	10.401%	10.385%	0.016
364-Day T-Bill	11.128%	11.128%	0.000
Inflation	4.46%	4.83%	-0.370
CBR RATE	9.50%	10.00%	-0.50

(Source: Central Bank of Kenya)



(Source: Reuters)

INTERNATIONAL NEWS

The US dollar fell on Monday after four straight weeks of gains as financial markets looked for the first rate increase of the year from the U.S. Federal Reserve. Markets will be focused on whether Fed policy makers forecast four rate increases this year, instead of the three they projected in December.

The dollar index against six major currencies fell 0.45% to close at 89.93. On Friday, the index reached a two-week high near 90.38 after data showed a February gain in U.S. industrial production.

Meanwhile, the euro rose on Monday after a report that European Central Bank officials were shifting their debate from bond purchases to the expected path of interest rates, reviving bets that the ECB may raise rates sooner than previously thought. The common currency was last up 0.46%, at \$1.2340.

The sterling pound also rose against the dollar as Britain and the European Union agreed to a 21-month post-Brexit transition period and a potential solution to avoid a hard border for Northern Ireland. The pound, which had already been rallying on expectations for a transition deal, rose as much as 1% to \$1.4030, its strongest since Feb. 16 and the biggest one-day rise since January.

Elsewhere, global oil prices rose on Monday, lifted by tensions in the Middle East, although rising output in the United States and shaky stock markets put a lid on further gains. Brent crude, the international benchmark for oil prices, was at \$66.26 per barrel, up 0.3% from the previous close.

Indicative Profit Rates on Deposits

	Amounts > 10 Million		Amounts >100,000	
	KES		USD	
Call	7.00%	1.50%		
1 Month	9.50%	2.00%		
3 Months	9.75%	2.50%		
6 Months	10.00%	3.00%		
1 year	10.25%	3.25%		

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.2290	1.2390
GBP/USD	1.3980	1.4080
USD/AED	3.6675	3.6775
USD/JPY	105.70	106.70

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