



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 3RD MAY 2018

DOMESTIC NEWS

The Kenyan shilling strengthened marginally against the US dollar on Wednesday with thin demand for the greenback from retail and oil importers being outweighed by inflows from horticulture exports and remittances. The local currency traded at 100.10/30, compared with Monday's close of 100.25/35. We expect the local currency to remain relatively stable in the short term supported by stronger horticulture export inflows, improving diaspora remittances and high forex reserves, currently at USD 9.5 billion equivalent to 6.4 months of import cover.

Meanwhile, Kenya's year-on-year inflation dropped to 3.73% in April from 4.18% in March. The rate, which fell to its lowest level since January 2013, has been low in recent months mainly due to improved food production on the back of good rains and a strengthening of the shilling currency against the dollar. Policymakers cut the benchmark lending rate by 50 basis points last month, saying inflation was well anchored.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	96.70	103.70	97.70	102.70
GBP/KES	132.25	140.25	132.75	139.75
EUR/KES	116.60	123.60	117.10	123.10
AED/KES	25.80	28.80	25.80	28.80

Money Market Rates	Current	Previous	Change
Interbank Rate	4.9217%	4.9749%	-0.053
91-Day T-bill	8.000%	8.000%	0.000
182-Day T-Bill	10.268%	10.266%	0.002
364-Day T-Bill	11.143%	11.137%	0.006
Inflation	3.73%	4.18%	-0.450
CBR RATE	9.50%	10.00%	-0.500

(Source: Central Bank of Kenya)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar fell from 2018 highs set earlier on Wednesday after the Federal Reserve indicated it may allow inflation to run above its 2% target, raising concerns that monetary accommodation will stay loose even as they hike rates. The U.S. central bank held interest rates steady and in a statement following the end of a two-day policy meeting said that inflation had moved close to its 2% target.

The dollar index, which measures the greenback against six major currencies, turned negative on the day, falling 0.1% to 92.51, after rising before the Fed statement to 92.718, the highest level since Dec. 28. With the Fed's meeting out of the way, focus is shifting to U.S. jobs data due on Friday for further indications of the strength of the economy and inflation pressures.

The euro rose 0.3% to \$1.1985, getting some respite after setting a near four-month low of \$1.1940 earlier on Wednesday. A near-term focus for the common currency is euro zone inflation data due later on Thursday. The euro could come under pressure if the data shows a slowdown in core inflation in the euro zone.

Meanwhile, the sterling pound gave up its earlier gains on Wednesday and fell back to \$1.3595, its lowest level since January. With expectations of a Bank of England interest rate hike next month tumbling, sterling weakened to its worst level since Jan. 12, extending a bruising fortnight for the pound.

Elsewhere, global oil prices fell on Wednesday, weighed down by swelling U.S. crude inventories and record weekly U.S. production that is countering efforts by producer group OPEC to cut supplies and prop up prices. Brent crude, the international benchmark for oil prices, settled at \$73.19 per barrel, 0.2% lower from their last close.

Indicative Profit Rates on Deposits		
Amounts > 10 Million	Amounts >100,000	
	KES	USD
Call	6.75%	2.00%
1 Month	8.50%	2.25%
3 Months	9.25%	2.75%
6 Months	9.50%	3.25%
1 year	10.00%	3.50%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.1935	1.2035
GBP/USD	1.3545	1.3645
USD/AED	3.6675	3.6775
USD/JPY	109.15	110.15

For more details, contact our Treasury staffs- 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.