



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 4TH OCTOBER 2018

DOMESTIC NEWS

The Kenyan shilling continued to hold steady against the greenback in thin trading on Wednesday owing to inflows from tourism and horticulture exports amid subduing importer dollar demand from importers. The local currency was flat at 100.85/101.05, same as Tuesday's close. We expect the shilling to remain relatively stable against the dollar in the short term as demand for the greenback from importers remains muted.

Meanwhile, Kenya's private sector activity expanded at a slower pace in September, mainly due to cost pressures and uncertainty over new tax measures. The Markit Stanbic Bank Kenya Purchasing Managers' Index (PMI) for manufacturing and services fell to 52.7 during the month from 54.6 in August. A reading above 50 denotes growth. Prices of fuel went up in September after the government introduced a new value-added tax on all petroleum products, putting pressure on firms' costs.

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	97.45	104.45	98.45	103.45
GBP/KES	126.50	134.50	127.00	134.00
EUR/KES	112.25	119.25	112.75	118.75
AED/KES	26.00	29.00	26.00	29.00

Money Market Rates	Current	Previous	Change
Interbank Rate	4.2237%	4.4794%	-0.256
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 rose to its highest level in six weeks on Wednesday after Federal Reserve Chairman Jerome Powell said the U.S. economy is remarkably positive and spoke of the need to continue raising interest rates after the Fed raised rates last week and said it foresees another rate hike in December, three more next year and one in 2020. Data on Wednesday also supported the view that the U.S. economy is in strong shape. Services sector activity raced to a 21-year high in September and companies boosted hiring, signs of enduring strength at the end of the third quarter.

The rallying dollar cut the euro's fledgling rally short after it was lifted earlier by reports that Italy plans to reduce its budget deficit over the next three years. The common currency fell almost 1% on the day to close at \$1.1470. Uncertainty surrounding Italy's debt, fiscal plans and future ties with Europe have unnerved markets and exacerbated tensions with other euro zone leaders.

The British pound was also 0.5% lower at \$1.2930 on the back of the stronger greenback and as conflicts over Prime Minister Theresa May's Brexit plan escalated. The British currency has been hit hard by concerns over a growing conflict within her party over May's Brexit plan. Earlier on Wednesday, a business survey showed Britain's services sector kept up its steady growth in September but uncertainty about the economy remained high six months ahead of Brexit.

Elsewhere, Brent crude rose nearly 2% on Wednesday after hitting a four-year high on Tuesday as the market focused on upcoming U.S. sanctions on Iran while shrugging off the year's largest weekly build in U.S. crude stockpiles and reports of higher Saudi Arabian and Russian production. Brent crude rose \$1.49, or 1.8%, to settle at \$86.20 a barrel, it's highest since Oct. 30, 2014.

Indicative Profit Rates on Deposits			
Amounts > 10 Million	KES		Amounts >100,000
	Price	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	1.1420	1.1520	
GBP/USD	1.2880	1.2980	
USD/AED	3.6675	3.6785	
USD/JPY	113.90	114.90	

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.