

TREASURY MARKET UPDATE 4TH OCTOBER 2018

DOMESTIC NEWS

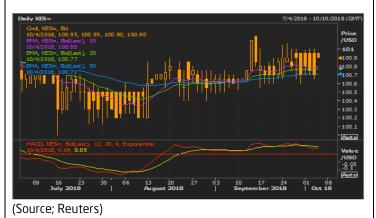
The Kenyan shilling continued to hold steady against the greenback in thin trading on Wednesday owing to inflows from tourism and horticulture exports amid subduing importer dollar demand from importers. The local currency was flat at 100.85/101.05, same as Tuesday's close. We expect the shilling to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



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		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	1.1420	1.1520			
GBP/USD	1.2880	1.2980			
USD/AED	3.6675	3.6785			
USD/JPY	113.90	114.90			

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