

# TREASURY MARKET UPDATE 01ST FEBRUARY 2021

# **DOMESTIC NEWS**

The Kenya shilling was stable against the dollar on Friday supported by healthy inflows from exports and diaspora remittances amid a drop in end month demand due to a drop in the import bill. Markets expect the local unit to trade within a range this week due to low dollar demand as more dollar inflows are expected from international lenders.

By close of the day, the local unit stood at 110.05/25, same as the day's opening.

The Central Bank of Kenya usable foreign exchange reserves remained adequate at USD 7,663 million (4.71 months of import cover) as at January 28. This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover.

Data released by Kenya National Bureau of Statistics indicate that the overall year on year inflation in January 2021 edged up marginally to 5.69% due to an increase in prices of food and non-alcoholic drinks as well as fuel products.

Elsewhere, international oil prices declined during the week ending January 28 on account of emergence of new variants of COVID-19 and renewed lockdowns in some advanced economies. Murban oil price (Kenya's benchmark) stood at \$54.90 per barrel on January 28 from \$55.76 per barrel on January 21.

### **Indicative Forex Rates**

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	Buy Cash	Sell Cash	Buy TT	Sell TT	
USD/KES	106.00	113.00	107.00	112.00	
GBP/KES	146.49	154.49	146.99	153.99	
EUR/KES	129.34	136.34	129.84	135.84	
AED/KES	28.31	31.31	28.31	31.31	

Money Market Rates	Current	Previous	Change	
Interbank Rate	5.7902%	5.7053%	0.085	
91-Day T-bill	6.897%	6.983%	0.086	
182-Day T-Bill	7.578%	7.508%	0.070	
364-Day T-Bill	8.623%	8.508%	0.115	
Inflation	5.690%	5.620%	0.070	
CBR RATE	7.000%	7.000%	0.000	
Source: Central Bank of Kenya)				

LIBOR Rates	USD	EUR	GBP
6 Months	0.22325	-0.53729	0.04388
12 months	0.31113	-0.50414	0.08288
(Source: Reuters)			

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(Source: Reuters)

#### INTERNATIONAL NEWS

The dollar was slightly down in early trade, with investor suspicion remaining as the Wall Street battle between hedge funds and retail investors continues to rage on with some investors concerned about a potential market correction on the first trading day of February. However, a slower-than-expected COVID-19 vaccine rollout saw investors turn to safer assets capping its losses. Investors are also calculating whether the almost 7% selloff seen in 2020 that was driven by expectations of a global recovery from COVID-19, huge fiscal stimulus packages and a continuous ultra-easy monetary policy will continue into 2021.

The U.S. Dollar Index that tracks the greenback against a basket of other currencies inched down 0.01% to 90.523. Congressional debate over President Joe Biden's \$1.9 trillion fiscal stimulus package continues, with a group of Republican lawmakers urging a significant reduction in the package's price tag to \$600 billion.

The Euro was little changed at \$1.2130, as it continued to flap in a narrow range given the stringent lockdowns which led the French economy to lurch back into contraction in the final quarter of 2020.

Cable is up 0.27% to \$1.3735 on hopes that Britain is ramping up its coronavirus vaccine programmes despite market jitters about the direction of the pandemic. Friday's news that trials of a new vaccine from Novavax are going well supported the Pound.

Elsewhere, Chinese economic data for January indicated a slowdown in the Chinese economic recovery thanks to a recent resurgence of cases in the country. The manufacturing PMI was 51.3, against the 51.6 in forecasts prepared by Investing.com and December's 51.9. The non-manufacturing PMI came in at 52.4, against December's 55.7.

# **Source: Reuters**

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. Indicative Profit Rates on Deposits				
Amounts	> 10 Million	Amounts >100,000		
	KES	USD		
2 Weeks	6.00%	0.05%		
1 Month	6.25%	0.75%		
3 Months	6.50%	1.00%		
6 Months	6.75%	1.25%		
1 year	7.00%	1.50%		
Indicative Cross Rates				
	Bid	Offer		
EUR/USD	1.1990	1.2290		
GBP/USD	1.3595	1.3895		
USD/AED	3.6605	3.6865		
USD/JPY	103.00	107.00		
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