

# TREASURY MARKET UPDATE 02ND JULY 2021

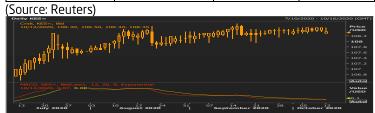
### DOMESTIC NEWS

The Kenya shilling weakened a notch on Thursday, undercut by demand from oil and manufacturing sector as well as merchandise importers. The small bias to depreciation was largely attributed to a spill over of end month demand. This could continue for the next couple of days. Nonetheless, the local unit is forecast to retract supported by sufficient foreign currency reserves at Central bank. By close of the day, the local unit stood at 107.85/108.05 to the dollar, compared to the previous day closing of 107.80/108.00. This comes after the World Bank said Kenya's economy will grow by 4.5% this year as vaccinations and lockdown easing help it recover from a coronavirus-induced slump but still remains highly vulnerable to the pandemic. The projection for this year's growth is based on firms boosting production and investments as lockdown measures are lifted, a slight recovery in the services sector due to vaccinations, and adequate crop harvests. The main risks however include a slow vaccination programme caused by supply shortfalls and logistical challenges.

Elsewhere, Kenya's inflation rose to a 16-month high in June, hitting 6.32% compared to the 5.87% Inflation rate in May according to a report by the Kenya National Bureau of Statistics attributing the rise to the increased cost of basic foodstuffs and fuel.

#### **Indicative Forex Rates**

	Buy C	ash	Sell Cash	Buy TT	Sell TT		
USD/KES	104.	45	111.45	104.95	110.95		
GBP/KES	144.68		152.68	145.18	152.18		
EUR/KES	124.	.39	131.39	124.89	130.89		
AED/KES	27.3	39	31.39	27.39	31.39		
Money Market		Current		Previous	Change		
Rates							
Interbank Rate		4.8165%		4.8172%	0.0007		
91-Day T-bill		6.728%		6.860%	0.132		
182-Day T-Bill		7.228%		7.317%	0.089		
364-Day T-Bill		7.661%		7.729%	0.068		
Inflation		6.320%		5.870%	0.450		
CBR RATE		7.000%		7.000%	0.000		
Source; Central Bank of Kenya)							
LIBOR Rates		USD		EUR	GBP		
6 Months		0.15950		-0.53129	0.10800		



-0.48671

0.24625

(Source: Reuters)

12 months

### INTERNATIONAL NEWS

The dollar continued to rise against other currencies in early trading after U.S. US initial jobless claims fell to 364,000 marking the lowest number in 15 months and investors hold on to the possibility that the US Federal Reserve will raise interest rates sooner than expected. The Fed may well signal some reduction of its money printing over the next 3 months. A worrying new wave of COVID-19 variants in Europe and Asia could delay lifting of travel restrictions at least there and stall a much-touted broadening of the post-pandemic recovery beyond the United States.

The U.S. Dollar Index that tracks the greenback against a basket of other currencies was down 0.01% to 92.59. EUR found support around \$1.1845 after the European Central Bank (ECB) President Christine Lagarde said that the rapid vaccination program has reduced the probability of severe scenarios and resulted in an improved economic outlook. The view raised the expectations that the central bank might start talking about tapering.

Pound continued falling for a seventh day and was down 0.02% to \$1.3765 coming under pressure from continued interest in the greenback even as the Bank of England Governor Andrew Bailey said that the central bank will apply its policy tools if inflation is persistent. While he admitted that we could soon see inflation hit 4%, the temporary nature of that rise should ensure the bank can remain accommodative throughout this economic recovery.

Elsewhere, oil was up 0.30% with Brent at \$76.07 per barrel retaining its gains from the previous session after a disagreement within OPEC+ delayed a decision on output levels which might cause an inflationary spike in prices if not resolved. UAE blocked a deal at the last minute stating that it would only give its support to a deal if the baseline for its own cuts was raised considerably.

# **Source: Reuters**

Jource. Reuters						
Indicative Profit Rates on Deposits						
Amounts	> 10 Million	Amounts >100,000				
	KES	USD				
2 Weeks	6.40%	0.05%				
1 Month	6.65%	0.75%				
3 Months	6.90%	1.00%				
6 Months	7.15%	1.25%				
1 year	7.90%	1.50%				
Indicative Cross Rates						
	Bid	Offer				
EUR/USD	1.1720	1.2020				
GBP/USD	1.3650	1.3950				
USD/AED	3.6610	3.6865				
USD/JPY	110.40	113.40				
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For more details, contact our Treasury staff Jackline, Loryne, Evelyn and Benson on Tel +254 20 5131311, DL +254 20 513 1354/55/51, Cell +254 709913354/55/51. 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.

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