



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 03RD SEPTEMBER 2021

DOMESTIC NEWS

The Kenya shilling weakened on Thursday due to a tight market closing the day at 109.90/110.10 against the greenback compared to the days opening of 109.85/110.05 but is forecast to strengthen next week on the back of hard currency inflows from foreign investors taking part in the 21-year amortized infrastructure bond.

The continued weakening of the shilling is linked to an overflow of the end month dollar demand from importers as well as new oil orders as the average price of crude remains north of \$70 a barrel amid depressed inflows from tourism and tea exports as economies such as the UK continue to keep Kenya on the red list. The excess liquidity within the local money markets continues to put further pressure on the local unit.

Previously, the weakening of the Kenyan shilling has been linked to tightening global financial conditions arising from COVID-19 uncertainties. The local economy continues to recover following easing of covid-19 restrictions in the country as evidenced by the rising consumer and industrial import bill.

Elsewhere, oil prices inched up 0.08% with Brent at \$73.09 per barrel after posting strong overnight gains on a weaker dollar and a bigger-than-expected fall in U.S. crude stocks and were headed for small gains on the week ahead of a highly anticipated U.S. monthly jobs report. Nevertheless, demand is likely to be in focus OPEC+ stuck to their plan to add 400,00 barrels per day back to the market over the next few months amid surging COVID-19 cases.

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	106.50	113.50	107.00	113.00
GBP/KES	148.19	156.19	148.69	155.69
EUR/KES	126.16	134.16	126.66	133.66
AED/KES	27.95	31.95	27.95	31.95

Money Market Rates	Current	Previous	Change
Interbank Rate	3.279%	3.2667%	0.012
91-Day T-bill	6.774%	6.741%	0.033
182-Day T-Bill	7.226%	7.195%	0.031
364-Day T-Bill	7.517%	7.492%	0.025
Inflation	6.570%	6.440%	0.130
CBR RATE	7.000%	7.000%	0.000

Source: Central Bank of Kenya)

LIBOR Rates	USD	EUR	GBP
6 Months	0.15188	-0.54071	0.10038
12 months	0.22763	-0.49543	0.22175

(Source: Reuters)

INTERNATIONAL NEWS

The dollar is down in early trade tumbling to its lowest level in almost a month as the week draws to a close. Markets now await the latest U.S. payroll, wage and unemployment rate data report including non-farm later in the day that could poke the Federal Reserve to begin asset tapering earlier than expected. Fed Chairman Jerome Powell said that there was no rush to subsequently hike interest rates.

The Fed has made labor market recovery a condition to begin asset tapering, with expectations that it would begin imminently giving the U.S. currency a boost for much of August. Although the number of COVID-19 cases in the U.S. also climbed in recent weeks, it has further boosted the safe-haven dollar. However, the Fed also hinted that it could delay tightening monetary policy due to the COVID-19 outbreak. The U.S. Dollar Index that tracks the greenback against a basket of other currencies inched down 0.04% to 92.188. Euro edged up 0.02% to \$1.1880 after data showed inflation rose 3% in the euro zone for August. Manufacturing remained strong in the region but supply chain issues sent prices higher. Several ECB members this week began to talk about the reduction of asset purchases. ECB President Christine Lagarde said the region was recovering from the pandemic and only needed "surgical" support.

Pound inched up 0.08% to \$1.3840 driven by a drop in the dollar and moves in other currencies in the absence of Britain-specific data releases or Bank of England speakers. Market is also watching Britain's COVID-19 infection data. In the last week of August, Britain reported the highest number of new infections in just over a month. Earlier this year, the speed of Britain's COVID-19 vaccination programme and a broader reflation trade in global markets made the pound the best performer among its G10 currency peers, but it has since lost that lead.

Source: 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	1.1765	1.2025
GBP/USD	1.3715	1.3965
USD/AED	3.6610	3.6865
USD/JPY	109.00	112.00

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.