



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 11TH JUNE 2020

DOMESTIC NEWS

Wednesday's trading session saw the USD/KES pair drift higher on account of improved U.S dollar appetite. The pair began its climb relatively early as interbank and corporate players took to aggressive dollar buying, fueling a hike in the spot price. With dwindling foreign currency inflows, the local unit ended the day on the back foot. By close of trade, the local unit stood at 106.50/70 as compared to Tuesday's close of 106.35/55.

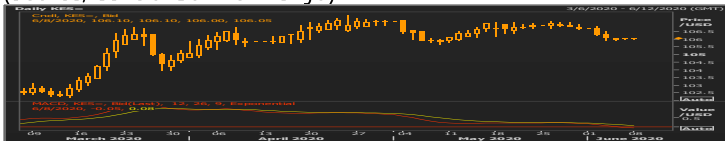
In other news, despite a lingering threat of Covid-19 that has seen Parliament cut numbers within its precincts and changed Standing Orders to permit virtual sessions, Treasury Secretary Ukur Yatani on Thursday 11th June 2020 will read his first Budget Statement from the floor of the National Assembly. It is anticipated that the Cabinet Secretary will focus on the country's economic recovery following the outbreak of the novel coronavirus that dampened the outlook with Kenya's gross domestic product projected to decelerate substantially. The budget committee however, noted it would be a tall order to finance the budget as the Kenya Revenue Authority is projected to collect lower revenues this year. With the shortfall, Treasury expects to borrow KSh 823 billion between July 2020 and June 2021 with KSh 473 billion sourced from the domestic market while the remainder will be borrowed from external markets.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	102.65	109.65	103.65	108.65
GBP/KES	130.85	138.85	131.40	138.40
EUR/KES	116.30	123.30	116.80	122.80
AED/KES	27.40	30.40	27.40	30.40

Money Market Rates	Current	Previous	Change
Interbank Rate	2.587%	2.695%	-0.108
91-Day T-bill	7.325%	7.333%	-0.008
182-Day T-Bill	8.200%	8.248%	-0.048
364-Day T-Bill	9.165%	9.198%	-0.033
Inflation	5.470%	5.620%	-0.150
CBR RATE	7.000%	7.000%	0.000

(Source: Central Bank of Kenya)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index moved off session lows on Wednesday to 96.05 after the Federal Reserve kept rates unchanged and reiterated its commitment to maintain easy monetary policy measures as the economy likely faces a long road to recovery. The Federal Open Market Committee left its benchmark rate unchanged in the range of 0% to 0.25%. In addition, Fed chairman Jerome Powell is not a fan of cutting rates below zero. He has repeatedly pointed to the lack of evidence over the efficacy of using negative interest rates as an effective policy tool to spur growth.

The GBP/USD pair appreciated to \$1.2803 on Wednesday. The sterling's rally has remained weighed by a combination of factors with Brexit uncertainty being the main concern. Beyond that, the Bank of England is considering the introduction of negative interest rates next year.

The euro advanced to \$1.1400 on Wednesday after the Fed pledged to continue QE and leave rates unchanged through 2022. The bank painted a gloomy picture of the economy, but an unemployment rate of under 10% by year-end.

The Japanese yen consolidates the Federal Reserve-led losses while taking rounds to 107.10 during the Tokyo open on Thursday. Moving on, the US-China tussle may come back to play.

Elsewhere, global oil prices dropped on Thursday to \$38.42 per barrel on worries about slow demand growth with coronavirus cases rising, U.S. crude stockpiles hitting an all-time high and the U.S. Federal Reserve projecting recovery from the pandemic would take years.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
2 Weeks	6.00%	1.25%
1 Month	6.75%	1.75%
3 Months	7.00%	2.00%
6 Months	7.50%	2.25%
1 year	8.00%	2.50%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.1210	1.1370
GBP/USD	1.2650	1.2760
USD/AED	3.6675	3.6775
USD/JPY	108.90	110.80

For more details, contact our Treasury staff Jackline, Loryne and Evelyn on Tel +254 20 5131311, DL +254 20 513 1351/55, Cell +254 709913351/55. 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.