

TREASURY MARKET UPDATE 11TH OCTOBER 2019

DOMESTIC NEWS

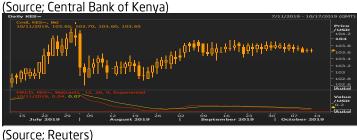
The shilling closed the week a tad stronger versus its American counterpart owing to a slight increase in foreign currency inflows. Ample foreign currency inflows throughout the trading session, more than sufficiently met waning demand for the dollar, boosting the home unit to end the day slightly firmer against the greenback. It remains to be seen whether the shilling can extend its renewed uptick. That said, the current trading ranges continue to be mainly flow driven with fundamentals taking a back seat in the interim. By close of trade, the local unit stood at 103.60/80, as compared to Wednesday's close of 103.70/90.

Subsequently, the World Bank cut its economic growth forecast for sub-Saharan Africa for 2019 to 2021 by 0.2 percentage points from its earlier projection, citing a slowdown in fixed investment and policy uncertainty in the global economy. The bank said the region's economy was expected to grow 2.6% this year, from a 2.8% projection in April. It said growth would rise to 3.1% in 2020 and 3.2% in 2021. International tensions, plus softening global growth and falling commodity prices, compounded by the slow pace of reforms in African countries, are weighing on activity across the region.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	100.25	107.25	101.25	106.25
GBP/KES	125.15	133.15	125.70	132.70
EUR/KES	110.80	117.80	111.30	117.30
AED/KES	26.75	29.75	26.75	29.75

Money Market Rates	Current	Previous	Change
Interbank Rate	7.114%	6.804%	0.310
91-Day T-bill	6.378%	6.307%	0.009
182-Day T-Bill	7.250%	7.200%	0.050
364-Day T-Bill	9.792%	9.798%	0.006
Inflation	3.830%	5.000%	-1.170
CBR RATE	9.00%	9.00%	0.000



INTERNATIONAL NEWS

The U.S. dollar fell to 98.73 on Thursday after consumer prices rose less than expected in September, increasing the chances of the Federal Reserve cutting rates before the end of the year. Meanwhile jobless numbers released Thursday suggest that the labor market remains strong, which could complicate a decision from the Fed. The number of Americans filing for unemployment fell and the unemployment rate remains near a 50-year low of 3.5%. On the other hand, top U.S. and Chinese negotiators wrapped up a first day of trade talks in more than two months on Thursday, as business groups expressed optimism the two sides might be able to ease a trade war and delay a U.S. tariff hike scheduled for next week.

The GBP/USD pair soared to 1.2445. Sterling jumped after the Prime Ministers of the U.K. and Ireland released a joint statement saying they saw a potential pathway to a Brexit deal. While there were few details in the press release, the news helped bolster hope that talks will continue, and a no-deal Brexit avoided ahead of an EU summit next week.

The euro found acceptance above a key hurdle at 1.1013 and is seen to have an extended relief rally in the short-term if the ongoing US-China trade talks end on a positive note. The outgoing ECB President Draghi is scheduled to speak today is expected to reiterate his dovish stance.

The Japanese yen is currently trading around 107.95 and could rise if the US and China announce a partial trade deal.

Elsewhere, global oil prices gained to \$59.38 on Friday after the Organization of Petroleum Exporting Countries indicated it expected supply from non-OPEC sources to grow slightly less than previously thought.

Indicative Profit Rates on Deposits						
Amounts > 10 N	1illion	Amounts >100,000				
K	ŒS	USD				
2 Weeks	6.50%	2.00%				
1 Month	7.00%	2.50%				
3 Months	8.00%	2.75%				
6 Months	8.50%	3.50%				
1 year	9.00%	3.75%				
Indicative Cross Rates						
Bid		Offer				
EUR/USD	1.0995	1.1090				
GBP/USD	1.2405	1.2490				
USD/AED	3.6675	3.6775				
USD/JPY	107.00	108.10				

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