



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 12<sup>TH</sup> SEPTEMBER 2019

### DOMESTIC NEWS

The shilling's wings were clipped early in midweek trading, with the home unit dipping versus the greenback on resurgence of market activity on the demand counter. The manufacturing sector and interbank players easily gulped dollar inflows by the agricultural sector to leave the domestic unit lower versus its American counterpart at the closing bell. By close of trade, the local currency stood at 103.70/90, as compared to Tuesday's close of 103.55/75.

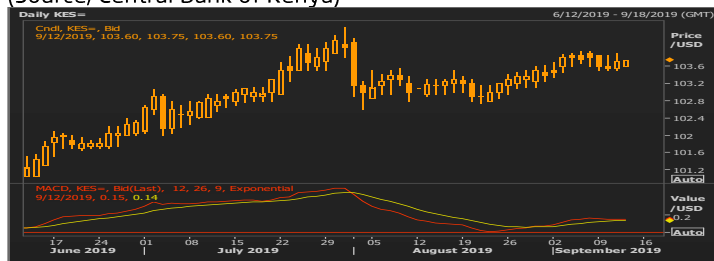
In other news, Kenyan lawmakers on Wednesday debated changes to a law capping commercial interest rates after the High Court gave parliament an ultimatum to alter the law to comply with the constitution. The government in 2016 limited rates banks can charge customers at four points above the central bank's benchmark - currently 9% - saying they were concerned about high rates. But the cap led to a private sector credit squeeze. In March this year, the High Court ruled that the section of the law capping rates was unconstitutional and gave parliament a year to amend it. The High court also accused lawmakers of targeting banks with the cap, without considering borrowers' behavior, saying that the terms used in the law, like the definition of interest rates, were ambiguous.

### Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	100.30	107.30	101.30	106.30
GBP/KES	123.95	131.95	124.50	131.50
EUR/KES	110.85	117.85	111.30	117.30
AED/KES	26.76	29.76	26.76	29.76

Money Market Rates	Current	Previous	Change
Interbank Rate	6.398%	6.271%	0.127
91-Day T-bill	6.375%	6.385%	-0.010
182-Day T-Bill	6.995%	7.011%	-0.016
364-Day T-Bill	9.520%	9.392%	0.128
Inflation	5.000%	6.270%	-1.270
CBR RATE	9.00%	9.00%	0.000

(Source: Central Bank of Kenya)



(Source: Reuters)

### INTERNATIONAL NEWS

The dollar rose on Wednesday as U.S. bond yields continued to edge higher on hot inflation data, while a retreat in the loonie amid falling U.S. crude prices also boosted the greenback. The Labor Department said its producer price index for final demand increased 0.1% last month, in line with economists' forecasts. The inflation data dimmed expectations somewhat that the Federal Reserve will cut rates aggressively at its meeting next week. In the meantime, U.S. President Donald Trump said he will delay a planned tariff hike on Chinese goods by two weeks as a gesture of goodwill after China exempted a range of U.S. goods from its own tariffs.

The GBP/USD pair fell to \$1.2330. Prime Minister (PM) Boris Johnson failed to please the European Union leaders as the Financial Times releases the news that France accuses PM Johnson of seeking individual deals rather than the bloc deal. In addition, news of the British Government's release of Yellowhammer report crossed wires. The document consisting nearly 20 expected outcomes, which was already leaked last month, confirmed that the medical, food shortage can take place in a case of no-deal Brexit.

The euro fell to \$1.1010 ahead of the European Central Bank meeting on Thursday, with many expecting the central bank to deliver fresh stimulus.

The Japanese yen, which is widely considered as a safe-haven currency, fell on Thursday to 108.00, as encouraging signs for U.S.-China trade development improved investor sentiment.

Elsewhere, global oil prices gained on Thursday to \$61.27, in Asia amid positive Sino-U.S. trade developments. Falling crude stockpiles were also cited as tailwinds.

Indicative Profit Rates on Deposits		
Amounts > 10 Million	Amounts >100,000	
	KES	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	1.0950	1.1170
GBP/USD	1.2200	1.2320
USD/AED	3.6675	3.6775
USD/JPY	107.50	108.60

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