



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 14TH JULY 2021

DOMESTIC NEWS

The shilling waffled to the weaker side on Tuesday as demand for the greenback dominated the market. The narrative of a higher dollar demand side persisted in the local FX market as players held on to paltry inflows, leaving the local currency somewhat weaker by close of business. In today's session, the home unit remains exposed to further downside risks weighed down by burgeoning dollar demand. That said, players continue to keep an eye on any new developments and flows continue to guide the direction for the USDKES pair. By close of day, the local unit stood at 107.90/108.10 as compared to Monday's close of 107.85/108.05.

In other news, Horticulture exports earnings in H1 2021 (January to June) fell by KSh6.3 billion to only fetch KSh77.1 billion, from KSh83.4 billion recorded during the same period last year. Volumes of exports increased from 160.9 million kilograms in H1 2020 to 192 million kilograms in H1 2021. Sector players blame the drop in earnings on immature produce that fetch very little money in the international arena. The horticulture sector is currently ranked 3rd in foreign exchange earnings, after tourism and tea exports. The European Union still accounts for the largest portion of Kenyan horticultural exports, taking in 45% of the exports majorly comprising cut flowers, French beans, snow peas, and Asian vegetables. The leading export destinations are United Kingdom, Netherlands, Austria, Germany, Italy, Belgium, France, Middle East and the Far East.

Indicative Forex Rates

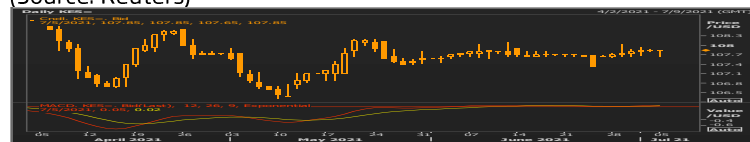
| | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 104.50 | 111.50 | 105.00 | 111.00 |
| GBP/KES | 145.25 | 153.25 | 145.75 | 152.75 |
| EUR/KES | 123.80 | 130.80 | 124.30 | 130.30 |
| AED/KES | 27.40 | 31.40 | 27.40 | 31.39 |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|---------|
| Interbank Rate | 4.284% | 4.350% | -0.066 |
| 91-Day T-bill | 6.614% | 6.728% | -0.114 |
| 182-Day T-Bill | 7.101% | 7.228% | - 0.127 |
| 364-Day T-Bill | 7.576% | 7.661% | -0.085 |
| Inflation | 6.300% | 5.900% | 0.400 |
| CBR RATE | 7.000% | 7.000% | 0.000 |

Source; Central Bank of Kenya)

| LIBOR Rates | USD | EUR | GBP |
|-------------|---------|----------|---------|
| 6 Months | 0.15438 | -0.52657 | 0.10388 |
| 12 months | 0.24450 | -0.49343 | 0.17313 |

(Source: Reuters)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index touched a three-month high at 92.748 on Tuesday, after heated U.S. inflation spurred bets of faster monetary policy tightening that Federal Reserve officials have so far signalled. Investors now await Fed Chairman Jerome Powell's testimony before Congress on Wednesday and Thursday. Although Powell has repeatedly insisted that higher inflationary pressures would be temporary, his testimony will be scrutinized for any hints on when the central bank will begin asset tapering and hike interest rates.

The GBP/USD pair dived to fresh lows on Tuesday below the \$1.3800 mark, weighed down by a combination of factors. The disappointing data released by the British Retail Consortium, along with COVID-19 and Brexit woes turned out to be key factors that acted as a headwind for the British pound. The UK Prime Minister Boris Johnson confirmed on Monday that COVID-19 restrictions in England will end on July 19, though stressed the need for the public to remain vigilant. Johnson further stated that the pandemic still poses a threat amid the looming fears of another major outbreak led by the highly contagious Delta variant of the coronavirus.

The euro was under pressure on Tuesday at \$1.1880 as a European Central Bank official reiterated that the recovery in the European region stays firm.

Elsewhere, global oil prices plunged on Wednesday to \$76.23 per barrel, on the back of data showing that China's crude imports dropped in the first half of 2021 triggering fuel demand concerns. However, the black liquid still remained near a one-week high as supply concerns persist alongside the economic recovery from COVID-19.

Indicative Profit Rates on Deposits

| | Amounts > 10 million | | Amounts >100,000 | |
|----------|----------------------|-------|------------------|-----|
| | KES | USD | USD | USD |
| 2 Weeks | 6.00% | 0.25% | | |
| 1 Month | 6.25% | 0.50% | | |
| 3 Months | 6.50% | 0.75% | | |
| 6 Months | 6.75% | 1.00% | | |
| 1 year | 7.00% | 1.25% | | |

Indicative Cross Rates

| | Bid | Offer |
|---------|--------|--------|
| EUR/USD | 1.1710 | 1.1950 |
| GBP/USD | 1.3620 | 1.3940 |
| USD/AED | 3.6610 | 3.6860 |
| USD/JPY | 108.30 | 111.95 |

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.