



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 14TH OCTOBER 2021

DOMESTIC NEWS

The shilling waffled to the weaker side on Wednesday 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. By close of the day, the local unit stood at 110.75/110.95, as compared to the previous day's close of 110.70/110.80.

In the meantime, National Treasury is considering major budget cuts in the next budget to tame Kenya's ballooning debt. Post-Covid economic recovery is also a key aspect in the budget planning process that started yesterday with collection of views from the public. The 2022/23 budget is estimated at Sh3.21 trillion but could be adjusted upwards or downwards. For instance, in the current financial year ending June 30, 2022, the spending had been projected at Sh3.02 trillion but final budget presented in Parliament rose to Sh3.6 trillion. Among big spenders in the next financial year are expected to be education with a proposed allocation of Sh521 billion, energy, infrastructure and ICT (Sh357.7 billion), public administration and international development (Sh383.3 billion) and national security (Sh180.9 billion). Economic growth is projected to rebound to six per cent up from a projected average of five per cent this year, and a contraction of 0.3 per cent last year. The growth is expected to be driven mainly by the service sector.

Indicative Forex Rates

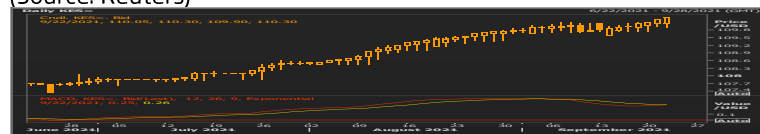
	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	107.35	114.35	108.85	113.85
GBP/KES	146.45	155.45	147.20	155.20
EUR/KES	124.10	128.60	124.90	132.90
AED/KES	28.68	31.68	28.18	32.18

Money Market Rates	Current	Previous	Change
Interbank Rate	5.141%	5.443%	-0.302
91-Day T-bill	6.935%	6.895%	0.040
182-Day T-Bill	7.316%	7.282%	0.034
364-Day T-Bill	8.024%	7.949%	0.079
Inflation	6.910%	6.570%	0.340
CBR RATE	7.000%	7.000%	0.000

Source: Central Bank of Kenya)

LIBOR Rates	USD	EUR	GBP
6 Months	0.15713	-0.53771	0.25150
12 months	0.26138	-0.48714	0.52488

(Source: Reuters)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index touched its lowest point this week against major peers on Wednesday at 94.048, taking a breather from a rally that had lifted it to a one-year high powered by expectations for quicker Federal Reserve interest rate hikes. The dollar pulled back even after minutes of the Federal Open Market Committee's September meeting confirmed tapering of stimulus is all but certain to start this year and showed a growing number of policymakers worried that high inflation could persist. Most Fed officials, including Chair Jerome Powell, have so far contended that price pressures will be transitory.

The GBP/USD pair inched higher to \$1.3667 on Wednesday on the USD broad-based selling amid the UK Chancellor, Rishi Sunak remarks on supply chain issues during his visit to the US to address G-20 finance ministers. Furthermore, the European Union (EU) offered an "Express Lane" proposal to solve Northern Ireland Brexit row, which aided the sterling recent gains. As for now, traders keep their focus on the Bank of England (BOE) Credit Condition Survey, and US Initial Jobless Claims to gauge market sentiment.

The euro pushed higher on Wednesday to \$1.1589, on the Fed minutes release, as markets resorted to 'sell the fact' trading in the dollar after the September meeting's minutes revealed that the Fed officials are prepared for a gradual taper, which is expected to "in either mid-November or mid-December. Looking ahead, the pair will await the US Producers Price Index (PPI), the weekly Jobless Claims and Fed speak for fresh trading impetus.

Elsewhere, global oil prices climbed on Thursday to \$83.70 per barrel, reversing previous losses, as a bigger-than-expected draw in U.S. gasoline and distillate stocks prompted buying.

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	1.1460	1.1870
GBP/USD	1.3470	1.4010
USD/AED	3.6645	3.6890
USD/JPY	108.20	115.80

For more details, contact our Treasury staff Loryne and Evelyn 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.