



**DIB Bank Kenya**  
A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 16<sup>TH</sup> JANUARY 2020

### DOMESTIC NEWS

The home unit remained well supported against the buck on Wednesday, holding on to gains garnered in the previous weeks. Trivial dollar demand from importers was sufficiently met by ample foreign currency inflows from various sectors of the economy, leaving the local currency unchanged from the previous close. Devoid of any major market moving events, we expect the shilling to continue trading within these elevated levels. By close of trade, the local unit stood at 101.30/50, same as Tuesday's close.

In other news, Kenya will no longer set wide budget deficits and will focus on boosting inadequate revenue collection and minimal borrowing, the finance minister said on Wednesday. President Uhuru Kenyatta's government has been criticised for borrowing heavily in recent years. It was forced to raise its borrowing ceiling last year after it breached the set level. Ukur Yatani, the finance minister, said the room for budget deficits, which have been above 6% of GDP in recent years, had long closed. The fiscal deficits, which peaked at 9.1% of GDP in 2016/17 financial year, were driven by higher spending on infrastructure projects like a new railway financed by debt with China.

### Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	97.90	104.90	98.90	103.90
GBP/KES	128.35	136.35	128.85	135.85
EUR/KES	109.60	116.60	110.10	116.10
AED/KES	26.11	29.11	26.11	29.11

Money Market Rates	Current	Previous	Change
Interbank Rate	3.690%	3.536%	-0.639
91-Day T-bill	7.200%	7.200%	0.000
182-Day T-Bill	8.142%	8.147%	-0.005
364-Day T-Bill	9.833%	9.828%	0.005
Inflation	5.820%	5.560%	0.260
CBR RATE	8.500%	9.00%	-0.500

(Source; Central Bank of Kenya)



(Source; Reuters)

### INTERNATIONAL NEWS

The U.S. dollar index fell on Wednesday to 97.230 on data showing inflation remained muted, while the conclusion of the U.S.-China phase one trade deal had a muted impact on the greenback. The U.S. and China signed the first part of their long-awaited trade agreement on Wednesday. But with the deal largely priced into markets, the dollar was largely unmoved following a slide amid weaker wholesale inflation data. The Labor Department said its producer price index, which measures prices that businesses receive for their goods and services, slowed to a pace of 0.1%, below economists' forecasts for 0.2% rise. In the 12 months through November, the PPI rose 1.3%, in line with forecasts of 1.2%.

The GBP/USD pair rose to \$1.3030 on Wednesday, even though the case for a Bank of England rate cut strengthened after the latest U.K. economic data showed the pace of inflation slipped to three-year lows. Bank of England chief economist, is due to speak on Thursday around the outlook for the UK economy.

The euro advanced to \$1.1150 on Wednesday as softer eurozone industrial production data did little to ease worries about stuttering growth in the economic bloc.

The Japanese yen recovers to 109.94 during the early trading hours of Thursday. Bears are seeking a meaningful downside correction towards 109 the figure which could come about should markets sell the fact of the phase-one trade deal which was signed in the US session on Wednesday.

Elsewhere, global oil prices rose on Thursday to \$64.45 per barrel after the signing of an initial Sino-U.S. trade deal that sets the stage for a surge in Chinese purchases of American energy products, while U.S. crude inventories fell more than expected.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
2 Weeks	6.50%	1.25%
1 Month	7.00%	1.75%
3 Months	8.00%	2.00%
6 Months	8.50%	2.25%
1 year	9.00%	2.50%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.1100	1.1180
GBP/USD	1.2970	1.3070
USD/AED	3.6675	3.6775
USD/JPY	109.00	110.80

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