



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

## TREASURY MARKET UPDATE 17TH SEPTEMBER 2020

### DOMESTIC NEWS

The Shilling made a sharp U-turn after spending most of the last two weeks in a tight range, as a wave of foreign currency supply hit the local FX counters. The home unit received a boost as dollar demand tapered, while sellers took advantage of the attractive levels to reduce their foreign currency holdings. Whether the local currency will hold on to yesterday's gains remains to be seen. By close of day, the local unit at 108.30/108.50 as compared to Wednesday's close of 108.50/108.70.

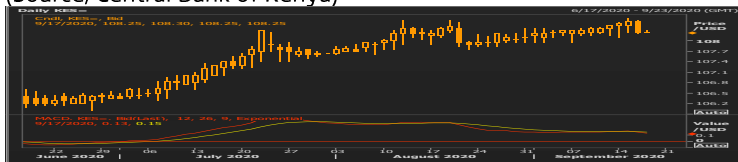
In other news, Kenya's credit score of B2 negative is likely to drop further on the economic effects of coronavirus, which eroded the government's revenue base, weakening fiscal metrics. Global credit rating firm Moody's in its latest report on Kenya says the country is faced with high liquidity risks, increasing its vulnerability to debt defaults. In May, the rating firm downgraded Kenya's creditworthiness to negative from stable. It attributed the negative score to the country's rising financing risks posed by large gross borrowing requirements, which include amortization of external bilateral debt and the need to refinance a large stock of short-term domestic debt. According to the rating agency, although a relatively strong agricultural sector and robust remittances are supporting growth, border closures and lockdown measures have weighed on a number of key sectors. Moody's expects Covid-19 to continue weakening Kenya's fiscal balance in the current financial year as weaker revenue collection and fiscal measures in response to the pandemic delay fiscal consolidation.

### Indicative Forex rates

|         | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 104.95   | 111.95    | 105.95 | 110.95  |
| GBP/KES | 136.15   | 144.15    | 136.70 | 143.70  |
| EUR/KES | 124.05   | 131.05    | 124.55 | 130.55  |
| AED/KES | 28.03    | 31.03     | 28.03  | 31.03   |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|--------|
| Interbank Rate     | 2.776%  | 2.717%   | 0.059  |
| 91-Day T-bill      | 6.267%  | 6.295%   | -0.028 |
| 182-Day T-Bill     | 6.689%  | 6.627%   | 0.062  |
| 364-Day T-Bill     | 7.564%  | 7.554%   | 0.010  |
| Inflation          | 4.360%  | 4.360%   | 0.000  |
| CBR RATE           | 7.000%  | 7.000%   | 0.000  |

(Source: Central Bank of Kenya)



(Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar index was up on Wednesday to 93.543, with investor sentiment boosted in the aftermath of the U.S. Federal Reserve's policy meeting. The Federal Open Market Committee left its benchmark rate unchanged in the range of 0% to 0.25% and tied its policy guidance to inflation rising above 2% for some time. Policymakers backed rates to remain unchanged through 2023, according to the Fed's summary of economic projections.

The GBP/USD pair slumped to \$1.2918 on Wednesday. Brexit tensions continue to be a focus for the pound, with the Tories striking a deal on Wednesday, avoiding a revolt within Prime Minister Boris Johnson's party, and giving parliament a say over how to use post-Brexit powers. Meanwhile, The Bank of England will hand down its policy decision later in the day and is widely expected to introduce further stimulus measures.

The euro changed hands at \$1.1777 on Wednesday, as the dollar gains altitude on Federal Reserve's positive comments on the economy. Markets will likely ignore the final Eurozone consumer price index for August due today.

The Japanese yen pair edged up to 105.07 on Thursday. The Bank of Japan will keep its monetary policy steady as it handed down its decision earlier in the day, as well as upgrading its economic outlook slightly and putting aid to further stimulus measures to combat COVID-19.

Elsewhere, global oil prices fell on Thursday to \$41.86, as concerns about weak fuel demand re-emerged after production platforms in the southeastern United States took steps to resume output following Hurricane Sally's passage.

### Indicative Profit Rates on Deposits

|          | Amounts > 10 Million |       | Amounts >100,000 |  |
|----------|----------------------|-------|------------------|--|
|          | KES                  | USD   | USD              |  |
| 2 Weeks  | 6.00%                | 1.25% |                  |  |
| 1 Month  | 6.25%                | 1.50% |                  |  |
| 3 Months | 6.50%                | 1.75% |                  |  |
| 6 Months | 6.75%                | 2.00% |                  |  |
| 1 year   | 7.00%                | 2.05% |                  |  |

### Indicative Cross Rates

|         | Bid    | Offer  |
|---------|--------|--------|
| EUR/USD | 1.1650 | 1.1830 |
| GBP/USD | 1.2860 | 1.3080 |
| USD/AED | 3.6675 | 3.6775 |
| USD/JPY | 104.20 | 106.50 |

For more details, contact our Treasury staff Jackline, Loryne and Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55, Cell +254 709913354/55. 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.