TREASURY MARKET UPDATE 18TH MAY 2021

DOMESTIC NEWS

The local unit faced headwinds in Monday's session versus the dollar as activity picked on the foreign currency demand counter. The mood turned sour for the home unit on account of increased foreign currency demand. A number of interbank and corporates players were on scene roiling the market in search for decent offers on the US dollar. This saw the shilling chase the elusive dollar, to take the USDKES currency pair higher. By close of the day, the local unit stood at 107.15/35, as compared to the previous day's close of 107.10/30.

Meanwhile, Kenya's debt ratio compared to the value of goods and services produced in the country is fast rising, a trend that Credit rating firm Moody's says raises concern. It projects the country's debt and interest burdens to peak to 72.6 per cent of GDP and around 28 per cent of revenue by 2023, up from 65 per cent in 2020. This, the firm said, could increase financing risks unless Kenya delivers on its set ambitious fiscal consolidation targets as part of the IMF program. Kenya plans gradual fiscal consolidation that will limit the deterioration in the sovereign's debt and interest burdens. Kenya intends to reduce the fiscal deficit further by reducing recurrent spending while aiming to prioritize key infrastructure projects, before undertaking further measures to broaden the tax base in later years of the IMF program.

Indicative Forex Rates

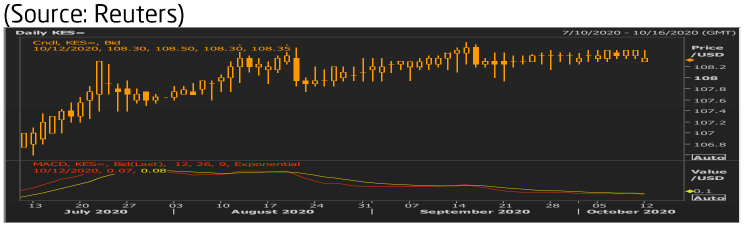
	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	103.80	110.80	104.80	110.80
GBP/KES	146.95	154.95	147.50	154.50
EUR/KES	126.60	133.60	127.10	133.10
AED/KES	27.68	30.68	27.68	30.68

Money Market Rates	Current	Previous	Change
Interbank Rate	4.804%	4.972%	-0.168
91-Day T-bill	7.156%	7.152%	0.004
182-Day T-Bill	7.995%	7.990%	0.005
364-Day T-Bill	9.365%	9.424%	0.059
Inflation	5.760%	5.900%	0.140
CBR RATE	7.000%	7.000%	0.000

Source; Central Bank of Kenya)

LIBOR Rates	USD	EUR	GBP
6 Months	0.18763	-0.52857	0.10500
12 months	0.26588	-0.48714	0.16963

(Source: Reuters)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index dipped on Monday to 90.097 as investors ramped up bets that the U.S. Federal Reserve would not hike interest rates anytime soon. Investors will analyze the minutes once they are released for clues as to the Fed's monetary policy direction for the rest of 2021. However, a consensus is growing that the Fed will continue with its current dovish policy over the assumption that any acceleration in inflation is temporary, in turn keeping the dollar on a downward trend.

The GBP/USD pair moved to a fresh pursuit in the $1.4200 area on Monday, having been buoyed as market players continue to cheer the easing of strict coronavirus restrictions on economic activity. With that being said, a note from earlier in the UK's The Times warns that the UK's PM Boris Johnson may have to rethink social distancing relaxations if the Indian variant takes a hold.

The euro posted mild gains around $1.2165 on Monday. The currency pair awaits second readings of Eurozone Q1 GDP and comments from ECB President Christine Lagarde for fresh impulse. In the meantime, France and Spain have relaxed restrictions, and Portugal and the Netherlands have opened up travel.

The Japanese Yen inched up to 109.22 on Tuesday, with Japan's slow COVID-19 vaccination rate and dollar weakness locking the duo into a narrow range.

Elsewhere, global oil prices were up on Tuesday to $69.66 per barrel, near a two-year high as key economies such as the U.S. and Europe continue their economic recovery from COVID-19 and drive fuel demand, which offset the dimming demand in parts of Asia due to the recent COVID-19 outbreaks.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	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	1.2050	1.2260
GBP/USD	1.4120	1.4250
USD/AED	3.6610	3.6865
USD/JPY	108.30	110.60