DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 19TH MAY 2021

DOMESTIC NEWS

Heightened volatility persisted in the local markets with the home unit posting new lows against the US currency in Tuesday's trading session. From the onset, dollar demand from various sectors of the economy took center stage leaving the home unit exposed as at close of the session. Looking ahead, we expect the local currency to remain trapped within the current range, with direction of the USDKES pair remaining mostly flow driven in the near term. By close of the day, the local unit stood at 107.45/65, as compared to the previous day's close of 107.20/40.

In the meantime, at its 29 March meeting, the Monetary Policy Committee of Kenya's Central Bank decided to maintain the Central Bank rate unchanged at 7.00%, marking the seventh consecutive hold, after having cut it by 125 basis points during March-April last year. The decision reflected the Bank's assessment that the policies implemented since March 2020 have been sufficient to weather the economic and financial disruptions resulting from the health crisis. However, the Bank noted that the outlook remains uncertain, with the recovery conditional on the success of the vaccine rollout and the measures imposed to contain the spread of the virus. The Bank commented that it remains well anchored, and it is expected to stay within the 2.5%-7.5% target range in the near term. The next meeting of the Monetary Policy Committee (MPC) will be held on Wednesday, May 26, 2021.

Indicative Forex Rates

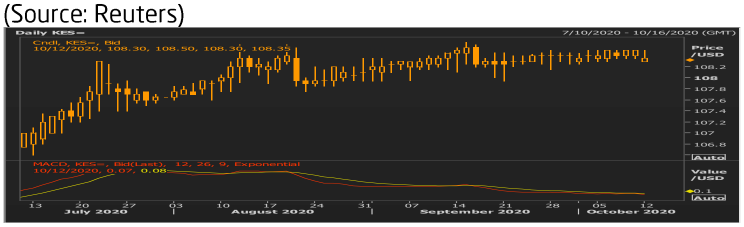
	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	104.00	111.00	104.50	110.50
GBP/KES	148.60	156.60	149.10	156.10
EUR/KES	128.05	135.05	128.55	134.55
AED/KES	27.77	30.77	27.77	30.77

Money Market Rates	Current	Previous	Change
Interbank Rate	4.823%	4.804%	0.019
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	0.18650	-0.52586	0.10175
12 months	0.26450	-0.48771	0.16850

(Source: Reuters)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index slumped on Tuesday to $89.747 for the fourth straight session, reaching its lowest level against a basket of currencies since late February on waning fears that inflation spikes could prompt the Federal Reserve to raise interest rates sooner than anticipated. U.S. Treasury yields stalled as investors grew more confident that the Fed will hold off on tightening its accommodative monetary policy, despite worrisome indicators that booming demand and scarce supply are sending prices soaring.

The GBP/USD pair poked the $1.4220 levels on Tuesday. The UK's Brexit Minister David Frost warned the European Union that Brexit trading crisis in Northern Ireland must be solved before the turbulence of traditional Protestant celebrations in July. On the same line, UK PM Boris Johnson's support to the tariff-free post-Brexit trade deal with Australia could spark a backlash at home as farmers fear cheap imports.

The euro remained stronger at $1.2240 on Tuesday as the eurozone economy narrowed down 0.6% in the first quarter(Q1). The EU statistics office Eurostat revealed that eurozone Gross domestic product recorded a fall of 1.8%.

The Japanese Yen plummeted to 108.92 on Wednesday, as the Japanese economic data released showed that the Japanese economy shrank more than expected.

Elsewhere, global oil prices fell for a second day on Wednesday to $67.98 per barrel on the potential of Iranian supply returning and as investors sold on speculation that inflation fears might lead the U.S. Federal Reserve to raise interest rates, which could limit economic growth.

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	1.2140	1.2360
GBP/USD	1.4080	1.4240
USD/AED	3.6610	3.6865
USD/JPY	108.05	110.70