



DIB Bank Kenya
 A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 1ST AUGUST 2019

DOMESTIC NEWS

A vibrant Wednesday trading session saw the Kenya shilling dip against the greenback in early morning due to heightened end month importer dollar demand. However, this was short lived as dollar inflows from remittances and Central Bank's intervention, through Open Market Operations, tipped the scales in favour of the shilling. By close of trade, the local currency stood at 104.00/20 compared to Tuesday's close of 104.15/35.

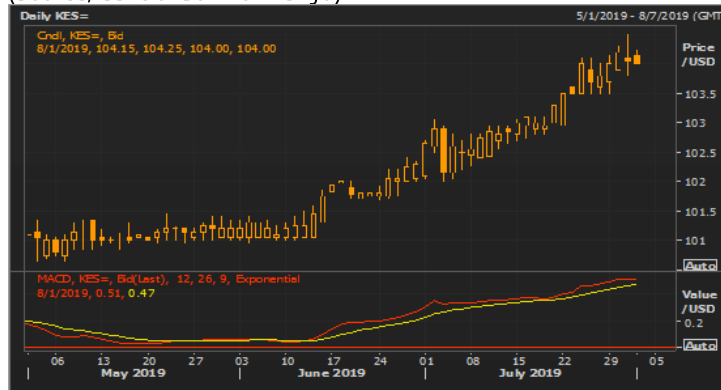
Meanwhile, Kenya's year-on-year inflation rose to 6.27% in July from 5.70% in June, touching its highest level in three months, the statistics office said on Wednesday. The increase in the headline rate was attributed to a jump in prices of food, soft drinks, alcoholic beverages and transport costs. This came as the central bank held its benchmark lending rate at 9.0% for the sixth time in a row last week, saying inflation expectations were within the target range.

Indicative Forex rates

| | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 100.70 | 107.70 | 101.70 | 106.70 |
| GBP/KES | 122.40 | 130.40 | 122.90 | 129.90 |
| EUR/KES | 111.65 | 118.65 | 112.15 | 118.15 |
| AED/KES | 26.87 | 29.87 | 26.87 | 29.87 |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|--------|
| Interbank Rate | 2.446% | 2.573% | -0.127 |
| 91-Day T-bill | 6.592% | 6.498% | 0.094 |
| 182-Day T-Bill | 7.365% | 7.358% | 0.004 |
| 364-Day T-Bill | 8.988% | 8.785% | 0.203 |
| Inflation | 6.27% | 5.70% | 0.570 |
| CBR RATE | 9.00% | 9.00% | 0.000 |

(Source; Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The U.S. dollar rose to two-year highs on Wednesday after Federal Reserve Chair Jerome Powell, having made the first cut to interest rates since 2008, signaled the move was not the start of a rate-cutting cycle. In a widely expected move, the U.S. central bank cut rates by 25 basis points to shore up the economy against risks including global weakness. But in the subsequent press conference, Powell said he viewed the cut as a "mid-cycle policy adjustment" rather than a broader loosening of monetary policy. The statement upended expectations of some market participants who anticipated confirmation of further rate cuts. A day prior, traders had forecast at 35% chance of three cuts by the end of the year; on Wednesday afternoon that figure had fallen to 12%.

The GBP/USD pair skidded against the strengthening dollar to close at \$1.2130, the lowest in more than two years, on the growing risk of a no-deal Brexit. Focus now shifts to a Bank of England meeting later on Thursday. Economists polled by Reuters are almost certain that the BoE's Monetary Policy Committee will vote 9-0 to keep rates on hold at 0.75%.

The euro also fell against the greenback to settle at \$1.1045, the lowest since May 16, 2017.

Against the yen, the dollar broke through an important resistance level at 109.00 yen to reach a two-month high of 109.20.

Elsewhere, global oil prices fell on Thursday, declining for the first time in six days, after the U.S. Federal Reserve dampened hopes for a string of interest rate cuts and Sino-U.S. talks ended without apparent progress towards resolving a bitter trade dispute. Brent crude futures, the international benchmark, fell 62 cents, or 1% to settle at \$64.35 a barrel.

Indicative Profit Rates on Deposits

| | Indicative Profit Rates on Deposits | |
|----------|-------------------------------------|-------------------|
| | Amounts > 10 Million | Amounts > 100,000 |
| | KES | USD |
| 2 Weeks | 6.50% | 2.00% |
| 1 Month | 7.00% | 2.50% |
| 3 Months | 8.00% | 2.75% |
| 6 Months | 8.50% | 3.50% |
| 1 year | 9.00% | 3.75% |

Indicative Cross Rates

| | Indicative Cross Rates | |
|---------|------------------------|--------|
| | Bid | Offer |
| EUR/USD | 1.0995 | 1.1095 |
| GBP/USD | 1.2080 | 1.2180 |
| USD/AED | 3.6675 | 3.6775 |
| USD/JPY | 108.70 | 109.70 |

For more details, contact our Treasury staff- Peter, Michael and Loryne on Tel +254 20 5131311, DL +254 20 513 1351/52, Cell +254 709913351/52. 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.