



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

## TREASURY MARKET UPDATE 1<sup>ST</sup> DECEMBER 2021

### DOMESTIC NEWS

The recent weakening narrative went a notch higher yesterday, as importers, particularly from the oil and energy sector, filled the market to pick up the dollar as end month orders fell due. The trifling foreign currency inflows witnessed from various sectors of the economy, did little to save the local unit from losses. In the new day, markets remain focused on flows to determine direction for the USD/KES pair, with players inclined to a weaker shilling amid limited foreign currency inflows. By close of day, the local unit stood at 112.45/112.65 as compared to Tuesday's close of 112.40/112.60.

In the meantime, Central Bank of Kenya (CBK), the state's fiscal agent, has invited bids for the sale of re-opened 10 year and 20-year Fixed-Coupon Treasury Bonds, that were first sold in 2019 and 2018 respectively. CBK seeks to raise KSh 40 Billion in the December 2021 T-Bonds Sale, with the proceeds to be used for the Government's Budgetary Support. According to the CBK prospectus, the coupon rate for the 10-year Treasury Bond is 12.280% per annum while that for the 20-year Treasury Bond is 13.200% per annum. The period of tap sale ends on 7th December 2021 with a value date of 13th December 2021. The discount/ interest paid for these two T-Bonds is subject to withholding tax at a rate of 10%. Expectations are that activity in the secondary bond market will pick up now that the December primary issue has been done. Investors will be hunting for higher yields and attractive entry points on specific government papers.

#### Indicative Forex Rates

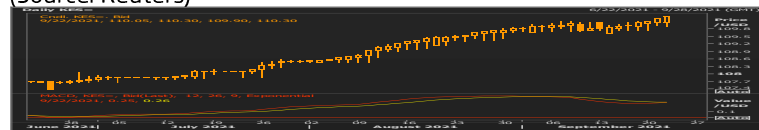
	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	109.05	116.05	110.55	115.55
GBP/KES	145.95	153.95	145.65	154.35
EUR/KES	123.16	131.06	123.96	131.46
AED/KES	29.14	32.14	28.64	32.64

Money Market Rates	Current	Previous	Change
Interbank Rate	4.904%	5.253%	-0.349
91-Day T-bill	7.181%	7.114%	0.067
182-Day T-Bill	7.835%	7.747%	0.088
364-Day T-Bill	8.944%	8.840%	0.104
Inflation	6.450%	6.910%	-0.460
CBR RATE	7.000%	7.000%	0.000

Source: Central Bank of Kenya

LIBOR Rates	USD	EUR	GBP
6 Months	0.24600	-0.55229	0.27913
12 months	0.41988	-0.50300	0.64238

(Source: Reuters)



(Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar index dipped on Tuesday to 95.535 after U.S. Federal Reserve Chairman Jerome Powell signaled quicker asset tapering even as risks from the omicron COVID-19 variant remain. Powell testified before the Senate Banking Committee hearing alongside U.S. Treasury Secretary Janet Yellen on Tuesday. In his testimony, he said that the Fed will discuss whether to wrap up asset tapering a few months earlier than scheduled when it meets later in the month. Although Powell finally veered away from describing high inflation as "transitory", he was confident that omicron's impact would be less severe than when the COVID-19 pandemic erupted in 2020.

The GBP/USD pair climbed to \$1.3320 on Tuesday on the UK-EU impasse over the Northern Ireland Protocol, along with the worsening row over the post-Brexit fishing rights between France and Britain could act as a headwind for the British pound. Meanwhile, worries about the potential economic fallout from the spread of the new coronavirus variant took its toll on the global risk sentiment.

The euro defended the \$1.1300 levels on Tuesday as the European Central Bank (ECB) officials did cite challenges that the coronavirus resurgence offered to the bloc's economy, which in turn requires extended ease on money policies even if supply constraints may favor reflation woes for a while.

Elsewhere, global oil prices clawed back some losses on Wednesday after steep falls in the previous session, as major producers prepared to discuss how to respond to the threat of a hit to fuel demand from the Omicron variant. The Organization of the Petroleum Exporting Countries (OPEC) will meet on Wednesday.

#### Indicative Profit Rates on Deposits

	Amounts > 10 million		Amounts >100,000	
	KES		USD	
2 Weeks	6.25%	0.25%		
1 Month	6.50%	0.50%		
3 Months	7.20%	0.75%		
6 Months	7.75%	1.00%		
1 year	8.00%	1.25%		

#### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.1250	1.1460
GBP/USD	1.3220	1.3640
USD/AED	3.6645	3.6890
USD/JPY	108.10	116.70

For more details, contact our Treasury staff Mary, Bernard, Loryne Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55/51, Cell +254 709913351/54/55. 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.