

## TREASURY MARKET UPDATE 20TH AUGUST 2020

## **DOMESTIC NEWS**

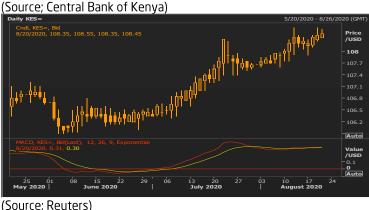
Steady and gradual dollar demand in the local currency market, amid a decline in foreign currency inflows, depressed the shilling marginally against the buck. Paltry dollar inflows from various sectors were inadequate to topple the foreign currency demand, forcing the USD/KES currency pair further north. In the new day, we see the home unit trading within these ranges, albeit with a bearish shade as foreign currency demand from the various sectors continues to manifest. By close of trade, the local unit stood at 108.65/108.85 as compared to Tuesday's close of 108.60/108.80.

In other news, the usable foreign exchange reserves remained adequate at USD 9,249 million (5.6 months of import cover) as of August 19. This meets the Central Bank's statutory requirement to endeavor to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover. In the meantime, the monetary authority mopped up KES 10 Billion in excess liquidity at a weighted average rate of 3.117% in the 5-day repo.

## **Indicative Forex rates**

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	105.15	112.15	106.15	111.15
GBP/KES	138.20	146.20	138.65	145.65
EUR/KES	125.10	132.10	125.60	131.60
AED/KES	28.08	31.08	28.08	31.08

Money Market Rates	Current	Previous	Change
Interbank Rate	2.815%	2.543%	0.272
91-Day T-bill	6.200%	6.123%	0.077
182-Day T-Bill	6.561%	6.549%	0.012
364-Day T-Bill	7.517%	7.455%	0.062
Inflation	4.360%	4.590%	-0.230
CBR RATE	7.000%	7.000%	0.000



## **INTERNATIONAL NEWS**

The U.S. dollar index was unchanged on Wednesday at 93.052 over disappointing minutes from the U.S. Federal Reserve's last policy meeting. The minutes released gave investors few clues on whether the Fed will adopt a more dovish policy framework in the months ahead. The minutes also struck a gloomy note about the U.S. recovery from COVID-19, with Treasuries seeing a modest sell-off after the minutes revealed Fed skepticism over capping government bond yields to encourage recovery and investment. Meanwhile, as if the coronavirus and Sino-American tension were not enough, the latest warning from US President Donald Trump is that the US intends to renew nearly all sanctions added to the sentiment-negative line.

The GBP/USD pair dipped to \$1.3087 on Wednesday as Brexit negotiations stalled again. Traders will now wait for further talks between the European Union and the UK.

The euro dumped back to \$1.1835 on Wednesday on the Federal Open Market Committee Minutes which have highlighted that a highly accommodative stance of monetary policy will be likely needed for some time.

The Japanese yen picks up the bids near 106.15 as markets in Tokyo open for trading on Thursday. The yen pair recently gained over the latest weakness in risk barometers and mixed data from Japan.

Elsewhere, global oil prices fell on Thursday to \$45.09 per barrel as major producers warned of a risk to the recovery in demand if the coronavirus crisis is prolonged, while U.S. crude inventories dropped less than expected.

Indicative Profit Rates on Deposits					
Amounts >	Amounts >100,000				
	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	1.1810	1.1930			
GBP/USD	1.3020	1.3160			
USD/AED	3.6675	3.6775			
USD/JPY	105.30	107.80			

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