



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

## TREASURY MARKET UPDATE 22<sup>ND</sup> JULY 2020

### DOMESTIC NEWS

The Kenyan shilling continued its weakening trend on Tuesday following persistent dollar demand from importers. Activity was one sided in early trading, as buyers flooded counters to purchase the greenback amid waning foreign currency inflows. Further drop in the value of the shilling versus the dollar is on the cards as market fundamentals remain stuck against the local currency. By close of trade, the local unit stood at 107.90/10 as compared to Monday's close of 107.65/85.

In other news, The Kenya Shilling hitting a low of 107.85 on Tuesday has raised concerns as the continued depreciation of the shilling is likely to further push up the cost of living for households as importers pass the hiked bill to consumers. It is also expected to see the country pay more for dollar-denominated loans, which rose to Sh3.49 trillion in May from Sh3.31 trillion in April, pushing up Kenya's total public debt to Sh6.5 trillion. Yesterday, the International Monetary Fund (IMF) weighed in the currency debate with a blog titled 'Dominant currencies and limits of exchange rate flexibility'. Scholars at the international lender said the shock of collapsing global demand and commodity prices, capital outflows, major supply chain disruptions and a generalized drop in global trade, many emerging markets and developing economies' currencies have weakened sharply.

### Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	103.10	110.10	104.10	109.10
GBP/KES	129.20	137.20	129.70	136.70
EUR/KES	116.85	123.85	117.35	123.35
AED/KES	27.52	30.52	27.52	30.52

Money Market Rates	Current	Previous	Change
Interbank Rate	2.328%	1.865%	- 0.463
91-Day T-bill	6.011%	6.274%	-0.263
182-Day T-Bill	6.524%	6.759%	-0.235
364-Day T-Bill	7.464%	7.700%	-0.236
Inflation	4.590%	5.330%	-0.740
CBR RATE	7.000%	7.000%	0.000

(Source: Central Bank of Kenya)

### INTERNATIONAL NEWS

The U.S. dollar index plunged on Tuesday to 95.090, with investors retreating from the safe haven asset as the U.S. is struggling to reach a consensus on further stimulus measures. Tuesday saw the U.S. Congress continuing discussions to extend unemployment benefits, due to expire at the end of July, and provide more funding to schools. Disagreements over how much to spend on these measures to combat the economic impact of COVID-19 is widening the gap between Republicans and Democrats.

The GBP/USD pair surged to its highest to \$1.2720 on Tuesday as the UK economy is expected to rebound at the quickest pace in decades this quarter, as it has reopened following a nationwide shutdown induced on account of the coronavirus pandemic.

The euro gained momentum on Tuesday trading at \$1.1530 on reports Europe's leaders reached agreement on a EUR750 billion (\$860.637) stimulus package at the EU Summit after over four days of negotiations. The 27-member bloc also passed a EUR1 trillion budget to be used between 2021 and 2027 to counter a recession not seen on the continent since World War Two.

The Japanese yen remains under pressure around 106.80 as markets in Tokyo open for Wednesday's trading. Tokyo Governor told residents to avoid unnecessary trips outdoors as much as possible over surging coronavirus cases.

Elsewhere, global oil prices fell on Wednesday to \$44.00 per barrel as industry data showed a bigger- than-expected inventory build in the United States where coronavirus cases continue to climb, potentially further denting demand in the world's biggest oil consumer.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
2 Weeks	6.00%	1.25%
1 Month	6.50%	1.50%
3 Months	6.75%	1.75%
6 Months	7.00%	2.00%
1 year	7.25%	2.05%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.1390	1.1520
GBP/USD	1.2470	1.2670
USD/AED	3.6675	3.6775
USD/JPY	106.50	108.80

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(Source; Reuters)

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