



DIB Bank Kenya
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TREASURY MARKET UPDATE 22ND NOVEMBER 2021

DOMESTIC NEWS

The shilling waffled to the weaker side on Friday as demand for the greenback dominated the market. The narrative of a higher dollar demand side persisted in the local FX market as players held on to paltry inflows, leaving the local currency somewhat weaker by close of business. In today's session, the home unit remains exposed to further downside risks weighed down by burgeoning dollar demand. That said, players continue to keep an eye on any new developments and flows continue to guide the direction for the USDKES pair. By close of day, the local unit stood at 112.20/112.40 as compared to Thursday's close of 112.15/112.35.

In the meantime, Kenya will take up a fifth sovereign bond targeting KSh105.6 billion in the next fiscal year, with the National Treasury indicating plans to float its first green bond. The government has in the last seven years already issued four Eurobonds, netting a total of KSh880 billion (\$7.85 billion), the latest of which was the \$1 billion (KSh112 billion) raised in June this year. The Treasury said in the draft 2022 Budget Policy Statement that it intends to tap into green financing in the upcoming fiscal year now that the framework for such issuances is in place. It is targeting a KSh105.6 billion sovereign bond as part of the net external budget deficit financing amounting to Sh363 billion in the 2022/2023 fiscal year. Net domestic borrowing is Ksh 483.1 billion (3.4 per cent of GDP). Treasury plans to tap into green financing by issuing the first Sovereign Green Bond to finance green and climate-related projects and programmes. In addition, the National Treasury has developed a Kenya Sovereign Green Bond Framework.

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	108.80	115.80	110.30	115.30
GBP/KES	146.95	154.95	146.65	155.35
EUR/KES	122.25	130.15	123.10	130.50
AED/KES	29.07	32.07	28.57	32.57

Money Market Rates	Current	Previous	Change
Interbank Rate	5.065%	5.129%	-0.064
91-Day T-bill	7.114%	7.070%	0.044
182-Day T-Bill	7.747%	7.683%	0.064
364-Day T-Bill	8.840%	8.745%	0.095
Inflation	6.450%	6.950%	-0.500
CBR RATE	7.000%	7.000%	0.000

Source; Central Bank of Kenya)

LIBOR Rates	USD	EUR	GBP
6 Months	0.22938	-0.54457	0.29988
12 months	0.39175	-0.49129	0.66175

(Source: Reuters)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index traded close to a 16-month high on Friday at 96.266. Bullish comments from U.S. Federal Reserve officials boosted the U.S. currency on Friday as some suggested that faster asset tapering could be appropriate as economic recovery quickens and inflation rises. This could also mean earlier interest rate hikes. Meanwhile, U.S. President Joe Biden is yet to choose whether incumbent Jerome Powell or Fed Governor Lael Brainard will chair the Fed once Powell's term ends in February 2022.

The GBP/USD pair remained on the downside on Friday at \$1.3450. On the Brexit front, the European Commission Vice President accused the UK Brexit Minister of 'political posturing' over the Northern Ireland (NI) protocol, citing 'more urgency' required in negotiations. Separately, investors digested the weekend's comments from the Bank of England (BOE) Governor Andrew Bailey. Bailey said that inflation could be "elevated for longer" but there is also a chance that it does not prove as persistent as feared.

The euro slumped to \$1.1274 on Friday on growing anxiety over the impact of surging COVID-19 infections in Europe, with Austria reimposing a full lockdown and Germany considering following suit. German Health Minister called the situation in the country a national emergency, adding that vaccinations alone will not reduce the numbers.

Elsewhere, global oil prices were down on Monday to \$78.75 per barrel as Japan contemplated releasing supply from its reserves. The number of COVID-19 cases in Europe is also on the rise, leading to concerns about fuel demand. The soaring number of cases in Europe sees Austria enter a full lockdown starting Monday.

Indicative Profit Rates on Deposits

	Amounts > 10 million	
	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	1.1120	1.1470
GBP/USD	1.3210	1.3620
USD/AED	3.6645	3.6890
USD/JPY	108.40	116.70

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