



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 25TH AUGUST 2020

DOMESTIC NEWS

The shilling waffled to the weaker side at the start of the week as demand for the greenback dominated the trading session. The local currency struggled throughout the session to find its footing on the back of mounting demand for the buck by importers, amid waning foreign currency inflows, leaving it ten cents lower by close of day. We expect the home unit will trade on the back foot as demand for the buck continues to outweigh foreign currency supply, unless inflows trickle through in numbers. By the closing bell, the local unit at 108.00/108.20 as compared to Friday's close of 107.90/108.10.

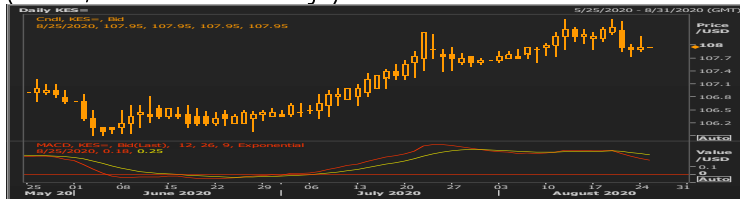
In other news, the cost of living is projected to marginally increase this month despite favourable food prices which have relieved households during the Covid-19 pandemic. Year-on-year inflation rate for August is projected to increase marginally to between 4.8 per cent and 5.1 per cent. This is up from 4.36 per cent last month when it fell to the lowest since November last year. The measure of the cost of living was recorded at 4.59 per cent in June. The gains from the stable food prices are watered down by the increasing fuel prices. Petrol and diesel prices have increased by 3.3 per cent and 3.0 per cent, respectively. Pressure will be experienced in the housing, water, electricity, gas, and other fuels index given the 27.8 per cent increase in the price of kerosene. In the meantime, the monetary authority mopped up KES 20 Billion in excess liquidity at a weighted average rate of 7.299% in the 7-day repo.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	104.65	111.65	105.65	110.65
GBP/KES	137.75	145.75	138.30	145.30
EUR/KES	124.25	131.25	124.75	130.75
AED/KES	27.94	30.94	27.94	30.94

Money Market Rates	Current	Previous	Change
Interbank Rate	2.954%	2.711%	0.243
91-Day T-bill	6.257%	6.200%	0.057
182-Day T-Bill	6.600%	6.561%	0.039
364-Day T-Bill	7.508%	7.517%	-0.009
Inflation	4.360%	4.590%	-0.230
CBR RATE	7.000%	7.000%	0.000

(Source; Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The U.S. dollar index was down on Monday to 93.207 amid the wait for U.S. August consumer confidence readings, due on Tuesday, which are expected to rise slightly, and firmer guidance from the U.S. Federal Reserve on the U.S. economic recovery from COVID-19. Fed Chairman Jerome Powell will deliver a speech at Thursday's Jackson Hole symposium themed "Navigating the decade ahead: Implications for monetary policy." Powell's speech is widely expected to address the Fed's strategy moving forward, with the focus zeroing in on the 2% inflation target.

The GBP/USD pair edged up to \$1.3089 on Monday, despite the latest round of Brexit talks between the U.K. and the European Union showing little signs of progress. Meanwhile, Facebook awaits good news from UK Chancellor Rishi Sunak even if PM Boris Johnson had earlier showed readiness to fine the company.

The euro turned to the downside as it dropped to \$1.1792 on Monday on the back of rising COVID-19 infections in some European countries. Also weighing on the quote could be French retaliation to the UK's "no go" list. The European major imposed a 14-day quarantine on the people traveling from the UK.

The Japanese yen took bids to 106.00 levels, as the market in Tokyo opens for Tuesday's trading. The reason could be traced from the coronavirus related optimism at home and the market's refrain from entertaining the pessimists.

Elsewhere, global oil prices were mixed on Tuesday at \$45.22 per barrel as traders weighed massive production cuts in the U.S. Gulf Coast from Tropical Storms Marco and Laura against rising coronavirus cases in Asia and Europe.

Indicative Profit Rates on Deposits

	Amounts > 10 Million		Amounts >100,000	
	KES		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	1.1710	1.1920
GBP/USD	1.3030	1.3360
USD/AED	3.6675	3.6775
USD/JPY	105.05	106.90

For more details, contact our Treasury staff Jackline, Loryne and Evelyn on Tel +254 20 5131311, DL +254 20 513 1351/55, Cell +254 709913351/55. 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.