



DIB Bank Kenya
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TREASURY MARKET UPDATE 28TH JULY 2021

DOMESTIC NEWS

The Kenya shilling weakened against the dollar on Tuesday, its lowest in three months, due to increased demand for the dollar by importers and corporates paying dividends. Nonetheless, foreign exchange reserves at the apex bank remains adequate to cushion the local unit from further depreciation. Kenya has the largest stockpile of foreign currency reserves in the East African region.

By close of the day, the local unit stood at 108.45/65, compared to the day's opening of 108.40/60.

Elsewhere, the Monetary Policy Committee (MPC) of the Central Bank of Kenya meets today for its interest rate decision against a backdrop of COVID-19 tremor and its spillover effects to the economy. Headline inflation rose to 6.3% in June arising from higher food and global oil prices but remains well anchored within the Central Bank's upper target of 7.5% which is positive for real returns. The current account deficit widened to 5.5% of GDP in May 2021 compared to 5.2% to a similar period last year majorly due to lower service receipts from tourism and hospitality sectors despite increased receipts from remittances and exports. The World Bank and the International Monetary Fund (IMF) have slashed Kenya's 2021 growth projections with their reports indicating that Kenya's economic recovery will depend on how fast it rolls out the COVID-19 vaccination program. COVID-19 remains the biggest hindrance to full economic recovery with the risk of a renewed wave of infections from the new and more infectious Delta variant strain.

However, markets forecasts that the committee will retain the benchmark policy rate at 7.00% to support the economy making it the ninth consecutive neutral policy stance.

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	105.05	112.05	105.55	111.55
GBP/KES	146.52	154.52	147.02	154.02
EUR/KES	124.76	131.76	125.26	131.26
AED/KES	27.55	31.55	27.55	31.55

Money Market Rates	Current	Previous	Change
Interbank Rate	3.1491%	3.1370%	0.012
91-Day T-bill	6.477%	6.520%	0.043
182-Day T-Bill	6.955%	6.984%	0.029
364-Day T-Bill	7.432%	7.506%	0.074
Inflation	6.320%	5.870%	0.450
CBR RATE	7.000%	7.000%	0.000

Source: Central Bank of Kenya)

LIBOR Rates	USD	EUR	GBP
6 Months	0.15725	-0.52357	0.08638
12 months	0.23863	-0.49243	0.18138

(Source: Reuters)

INTERNATIONAL NEWS

The dollar was up but remained below its recent highs in early trade but ripple effects from a crackdown in China on tech and other lucrative sectors and caution ahead of the U.S. Federal Reserve's latest policy decision due to be handed down later in the day gave the safe-haven U.S. currency a boost. It remains to be seen whether more clues on the timeline for both asset tapering and interest rate hikes will be provided in today's decision. Should mounting inflationary pressures prompt the Fed to introduce both faster than expected, it would give both U.S. rates and the dollar a boost.

The U.S. Dollar Index that tracks the greenback against a basket of other currencies inched up 0.06% to 92.493.

Pound inched down 0.04% to \$1.3880 with reports that the U.K. is considering opening its borders as a signal of further re-opening benefits to come giving the currency a boost. Sterling has been particularly sensitive to risk sentiment in recent weeks and has correlated well with the performance of global stocks. Markets are also looking for direction from the Bank of England policy meeting next week.

Euro is trading at \$1.1815 after a survey showed German business morale fell unexpectedly in July on continuing supply chain worries and rising COVID-19 infections. However, The ECB's new 2% inflation target means it's more likely to add to its bond buying than take away from it as medium-term inflation forecasts and expectations remain below there.

Elsewhere, oil is up 0.65% with Brent at \$74 per barrel boosted by a draw in U.S. crude supplies that reinforced expectations that fuel demand will outstrip supply growth. However, increasing numbers of COVID-19 cases globally capped the black liquid's gains.

Source: Reuters

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
2 Weeks	6.40%	0.05%
1 Month	6.65%	0.75%
3 Months	6.90%	1.00%
6 Months	7.15%	1.25%
1 year	7.90%	1.50%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.1700	1.2000
GBP/USD	1.3750	1.4050
USD/AED	3.6610	3.6865
USD/JPY	108.50	111.50

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