



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 2ND DECEMBER 2020

DOMESTIC NEWS

Heightened volatility persisted in the local markets with the home unit posting new low against the US currency in Tuesday's trading session. From the onset, dollar demand from various sectors of the economy took center stage leaving the home unit exposed as at close of the session. Looking ahead, we expect the local currency to remain trapped within the current range, with direction of the USDKES pair remaining mostly flow driven in the near term. By close of day, the local unit stood at 110.05/110.25 as compared to Monday's close of 110.00/110.20.

In other news, Treasury is considering Euro-based loans to mitigate exchange rate risks currently pushing up the country's debt obligation. This is in the wake of a vulnerable shilling to the US dollar that has surpassed the 110 mark, exchanging at an average 110.07 yesterday, thus exerting pressure on the country's debt repayment. The weak shilling has pushed up annual interest on Kenya's dollar denominated debt by more than Sh10 billion. According to the National Treasury data, external debt forms 50.1 per cent of total debt and is exposed to exchange rate risk. National Treasury Cabinet Secretary Ukur Yatani said a switch to other denominations, a bargain for lower interest rates and a longer repayment period, will mitigate on the shilling's vulnerability and help manage the high interest repayment occasioned by a stronger dollar. Treasury has so far borrowed about Sh1 billion which comprises of about Sh780 million IMF and Sh250 million from World Bank, to mitigate on Covid, among them being the setting up of a Credit Guarantee Scheme for businesses.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	110.75	116.15	110.75	116.25
GBP/KES	147.85	151.85	147.30	152.70
EUR/KES	131.25	134.75	130.50	135.60
AED/KES	30.15	31.65	30.15	31.65

Money Market Rates	Current	Previous	Change
Interbank Rate	3.888%	3.844%	0.044
91-Day T-bill	6.730%	6.706%	0.024
182-Day T-Bill	7.193%	7.152%	0.041
364-Day T-Bill	8.151%	8.094%	0.057
Inflation	5.460%	4.840%	0.620
CBR RATE	7.000%	7.000%	0.000

(Source; Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The U.S. dollar index slumped on Tuesday to 91.263, over cautious optimism that the U.S will restart stimulus talks improved risk appetite. U.S. Treasury Secretary Steve Mnuchin and House of Representatives Speaker Nancy Pelosi held their first talks for the latest stimulus measures since the Nov. 3 presidential elections. Mnuchin will also review the proposed \$908 billion worth of measures laid out by a bipartisan group of senators and House members. Meanwhile, U.S. Federal Reserve Chairman Jerome Powell expressed caution before the Senate Banking Committee, warning that the U.S. economy remains in a damaged and uncertain state.

The GBP/USD pair inched up to \$1.3422 on Tuesday. The U.K. and European Union negotiators are working to reach a Brexit trade deal before next week. Although the talks have reportedly entered the "tunnel" stage, there were warnings on that the talks remained deadlocked over issues such as fishing, governance rules and dispute resolution.

The euro gained to 1.2060 on Tuesday on the back of expectations for easing from the European Central Bank later on this month.

The Japanese Yen advanced towards 104.39 as Tokyo opened for Wednesday's session.

Elsewhere, global oil prices were down on Wednesday to \$46.94 per barrel, after a surprise build in U.S. crude oil inventories and uncertainty as to whether the Organization of the Petroleum Exporting Countries and allies (OPEC+) would extend its production cuts into 2021.

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	1.1830	1.2170
GBP/USD	1.3320	1.3530
USD/AED	3.6675	3.6775
USD/JPY	103.40	107.80

For more details, contact our Treasury staff Jackline, Loryne and Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55, Cell +254 709913354/55. 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.