

TREASURY MARKET UPDATE 2ND NOVEMBER 2021

DOMESTIC NEWS

The home unit succumbed to further losses versus the greenback in Monday's active session. Augmented dollar demand from energy and manufacturing sectors dominated counters through the day amidst dwindling inflows, leaving the USDKES pair's price action skewed to the upside in what was a one way move. Looking ahead, it remains to be seen whether the depreciation of the home unit will continue, and new trading ranges set. The direction of the USDKES pair remains at the mercy of the larger market sentiment. By close of day, the local unit stood at 111.30/111.50 as compared to Friday's close of 111.20/111.40.

In the meantime, the overall inflation declined to 6.45% in October compared to 6.95% in September, largely because of developments in fuel prices. Fuel inflation declined to 9.60% from 11.10% in September, as a result of declines in pump prices. Food inflation remained elevated at 10.60%, driven by seasonal factors. Separately, the usable foreign exchange reserves remained adequate at USD 9,175 million (5.61 months of import cover). This meets the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover.

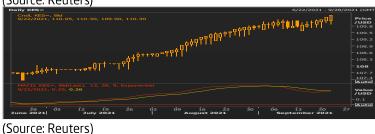
Indicative Forex Rates

<u>Indicative Forex Rates</u>					
	Buy Cash	Sell Cash	Buy TT	Sell TT	
USD/KES	107.85	114.85	109.35	114.35	
GBP/KES	148.05	156.05	147.77	156.47	
EUR/KES	124.90	132.74	125.64	133.14	
AED/KES	28.81	31.81	28.31	32.31	

Money Market Rates	Current	Previous	Change	
Interbank Rate	5.130%	4.895%	0.235	
91-Day T-bill	7.040%	7.020%	0.020	
182-Day T-Bill	7.486%	7.417%	0.069	
364-Day T-Bill	8.489%	8.355%	0.134	
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	0.20100	-0.53571	0.45500
12 months	0.36113	-0.46229	0.81538





INTERNATIONAL NEWS

The U.S. dollar index traded near highs to major peers on Monday at 94.161 as quickening inflation in the United States boosted the case for earlier Federal Reserve interest rate hikes ahead of a policy decision on Wednesday. The Fed faces the challenge of price and wage increases at multi-decade highs as it attempts to balance rising inflation and give the economy as much time as possible to restore the jobs lost due to COVID-19. On the data front, the U.S. Institute of Supply Management manufacturing purchasing managers index (PMI), released on Monday, was 60.8 in October. The manufacturing PMI was a lower-than-expected at 58.40.

The GBP/USD pair dipped to \$1.3700 on Monday as UK PM Boris Johnson's rhetoric tone to the press on the escalating spat over fishing access with France was fairly measured, with the PM merely pledging that the UK will take proportional action. Meanwhile, The Bank of England will hand down its policy decision on Thursday, in what could be its most unpredictable interest rate decision in years.

The euro extended its week's rebound amid cautious optimism at \$1.1605 on Monday. The US PMIs were mixed but the German Retail Sales slumped in September, helping the ECB to stand pat and also restricting further consolidation of the easy monetary policy in the bloc is the recently higher COVID-19 infections in Germany.

Elsewhere, global oil prices rose on Tuesday to \$84.99 per barrel as key producer group OPEC undershot its expected pace of output increases last month, while the world's top oil consumer China ramped up operating rates to meet a spike in diesel demand.

Indicative Profit Rates on Deposits				
Amounts	> 10 million	Amounts >100,000		
	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	1.1430	1.1850		
GBP/USD	1.3420	1.4010		
USD/AED	3.6645	3.6890		
USD/JPY	108.60	115.70		

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