



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 30TH JULY 2019

DOMESTIC NEWS

The local currency's slide continued on Monday in what was a cagey day of trading. Dollar buying from the energy sector pushed the USD/KES pair higher. That said, the current trading levels remain to be mainly flow driven as market players navigate these ranges. By close of trade, the local currency stood at 103.95/15, as compared to Friday's close of 103.75/95.

Our view is that the recent sharp decline in the home unit may leave some room for a rebound, should dollar appetite abate. However, on the flip side, the currency might break psychological levels due to persistent dollar demand. In other news, the monetary authority mopped up KES 15 billion in excess liquidity at a weighted average rate of 4.579% in the 7-day repo.

Indicative Forex rates

| | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 100.55 | 107.55 | 101.55 | 106.55 |
| GBP/KES | 122.20 | 130.20 | 122.70 | 129.70 |
| EUR/KES | 112.40 | 119.40 | 112.90 | 118.90 |
| AED/KES | 26.83 | 29.83 | 26.83 | 29.83 |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|--------|
| Interbank Rate | 2.668% | 2.749% | -0.081 |
| 91-Day T-bill | 6.592% | 6.498% | 0.094 |
| 182-Day T-Bill | 7.365% | 7.358% | 0.004 |
| 364-Day T-Bill | 8.988% | 8.785% | 0.203 |
| Inflation | 5.700% | 5.490% | 0.210 |
| CBR RATE | 9.00% | 9.00% | 0.000 |

(Source: Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The dollar inched up against a basket of currencies as U.S. President Donald Trump continued to criticize the Fed. The U.S. Federal Reserve begins a two-day policy meeting later Tuesday, at which it is widely expected to lower interest rates by 25 basis points. If implemented, it would be the central bank's first rate cut in a decade. Meanwhile, drawing some attention was U.S.-China trade negotiations due to begin in Shanghai on Tuesday, although expectations for progress during the two-day meeting are low with the markets hoping the two sides can at least detail commitments for "goodwill" gestures.

The GBP/USD pair fell to 1.2120. Sterling has already lost 1.7% this week as investors scrambled to price in the possibility that a last-minute agreement to avert a no-deal Brexit may not be realized under British Prime Minister Boris Johnson, who has said the Brexit divorce was dead. The British government said on Monday it assumed there would be a no-deal Brexit because a "stubborn" EU was refusing to renegotiate their departure.

The euro pair recovered from its losses to trade around \$1.1133. Markets now look forward to fresh economic drivers due on Tuesday, including the German Prelim CPI.

The yen was relatively stable at 108.60 after the Bank of Japan kept its monetary policies unchanged. The central bank kept its short-term interest rate at -0.1% as expected. It also promised to keep the current ultra-low rates for an extended period, at least through around spring 2020.

Elsewhere, global oil prices jumped on Tuesday to \$64.04 on optimism that the U.S. Federal Reserve will this week cut interest rates for the first time in more than ten years, which should support economic and fuel demand growth.

Indicative Profit Rates on Deposits

| Amounts > 10 Million | Amounts >100,000 | |
|----------------------|------------------|-------|
| | KES | USD |
| 2 Weeks | 6.50% | 2.00% |
| 1 Month | 7.00% | 2.50% |
| 3 Months | 8.00% | 2.75% |
| 6 Months | 8.50% | 3.50% |
| 1 year | 9.00% | 3.75% |

Indicative Cross Rates

| | Bid | Offer |
|---------|--------|--------|
| EUR/USD | 1.1105 | 1.1210 |
| GBP/USD | 1.2090 | 1.2330 |
| USD/AED | 3.6675 | 3.6775 |
| USD/JPY | 107.80 | 109.00 |

For more details, contact our Treasury staff- Peter, Michael and Loryne on Tel +254 20 5131311, DL +254 20 513 1351/52, Cell +254 709913351/52. 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.