



**DIB Bank Kenya**  
A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 3<sup>RD</sup> MAY 2019

### DOMESTIC NEWS

The Kenyan shilling strengthened to a three-week high against the greenback in active trading on Thursday, with surging dollar inflows from horticulture exports, offshore investors buying government debt and remittances outweighing declining end month importer dollar demand. By close of business, the local currency had gained 50 cents to the dollar to settle at 100.75/95, it's strongest since April 11. We expect the shilling to remain relatively stable in the coming week.

Meanwhile, Kenya will cut its budget deficit to 5.6% of GDP in its 2019/20 (July-June) fiscal year from a revised 6.1% of GDP in this fiscal year, the Treasury said in a draft budget summary sent to parliament this week. The country will borrow KES 324.3 billion (\$3.21 billion), equivalent to 3% of GDP, from abroad during the fiscal year and KES 289.2 billion, or 2.7% of GDP from the local market. The government aims to reduce the overall budget deficit to 3.8% of GDP in the 2022/23 fiscal year.

### Indicative Forex rates

|         | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 97.35    | 104.35    | 98.35  | 103.35  |
| GBP/KES | 127.45   | 135.45    | 127.95 | 134.95  |
| EUR/KES | 109.15   | 116.15    | 109.65 | 115.65  |
| AED/KES | 25.95    | 28.95     | 25.95  | 28.95   |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|--------|
| Interbank Rate     | 6.0509% | 5.9399%  | 0.111  |
| 91-Day T-bill      | 7.250%  | 7.298%   | -0.048 |
| 182-Day T-Bill     | 7.958%  | 8.006%   | -0.048 |
| 364-Day T-Bill     | 9.320%  | 9.315%   | 0.005  |
| Inflation          | 6.58%   | 4.35%    | 2.230  |
| CBR RATE           | 9.00%   | 9.50%    | -0.500 |

(Source: Central Bank of Kenya)



(Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar gained against most currencies on Thursday as traders pared their bets of an interest rate cut from the Federal Reserve following Fed Chairman Jerome Powell's comment about U.S. inflation. The greenback proved resilient since Powell said at a news conference on Wednesday that the factors dragging on inflation might be transitory and he saw no case for a rate move in either direction.

The dollar index that tracks the greenback against the euro, yen, sterling and three other currencies was up 0.25% to settle at 97.85. A solid U.S. payroll report due on Friday would bolster the notion the world's biggest economy is track for its longest expansion ever this summer, supporting the dollar.

The euro erased earlier gains against the dollar to trade 0.4% lower at \$1.1170.

Meanwhile, the sterling pound fell from a two-week high on Thursday after the Bank of England lifted its growth forecasts but warned Brexit continued to cloud the outlook for monetary policy. The BoE voted unanimously to keep interest rates steady at 0.75% but stuck to their view tighter policy would be needed in future. On the day, the British pound, which has traded in a narrow range of \$1.28-\$1.30 since Britain last month pushed its scheduled departure from the European Union back from March until Oct. 31, fell 0.1% to settle at \$1.3035.

Elsewhere, global oil prices plunged on Thursday because of oversupply fears as increased U.S. sanctions on Iran had more gradual impact than expected and U.S. crude oil inventories rose sharply. Brent crude futures fell 2.2% from the previous session to close at \$70.40 a barrel.

### Indicative Profit Rates on Deposits

|          | 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 | 1.1120 | 1.1220 |
| GBP/USD | 1.2985 | 1.3085 |
| USD/AED | 3.6675 | 3.6785 |
| USD/JPY | 111.00 | 112.00 |

For more details, contact our Treasury staff- Peter and Michael 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.