

TREASURY MARKET UPDATE 7TH AUGUST 2019

DOMESTIC NEWS

Despite a lull in market activity, the Kenya shilling strengthened marginally against the greenback in early morning trading, reinforced by steady inflow of foreign currency. Mid-afternoon trading nevertheless, saw an uptick in importer dollar demand, which pared the local unit's gains. By close of trade, the local currency stood at 103.20/40 compared to Monday's close of 103.05/25.

That said, the current trading ranges continue to be mainly flow driven as market players search for fresh economic fundamentals to give price direction.

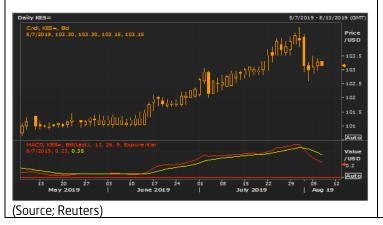
Meanwhile, the Central bank was out of the REPO market yesterday after mopping KES 15 billion in excess liquidity on Monday. The Local money market showed signs of tightening, with the interbank overnight lending rate climbing above 3% to settle at 3.2093%.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	99.80	106.80	100.80	105.80
GBP/KES	121.65	129.65	122.15	128.15
EUR/KES	112.35	119.35	112.85	118.85
AED/KES	26.62	29.62	26.62	29.62

Money Market Rates	Current	Previous	Change
Interbank Rate	3.209%	2.933%	0.276
91-Day T-bill	6.547%	6.592%	-0.045
182-Day T-Bill	7.254%	7.365%	-0.011
364-Day T-Bill	9.038%	8.988%	0.050
Inflation	6.270%	5.700%	0.570
CBR RATE	9.00%	9.00%	0.000

(Source; Central Bank of Kenya)



INTERNATIONAL NEWS

The Chinese yuan strengthened and demand for safe-haven currencies like the Japanese yen and Swiss franc eased on Tuesday, as China appeared to take steps to stabilize its currency which breached a key level on Monday and sparked broad risk aversion. The dollar rebounded marginally after falling the previous session, benefiting from relative calm in the market.

Stocks and emerging market currencies had plunged on Monday and safe havens jumped after China authorities allowed the yuan to break through the psychologically important level of 7 per dollar, its lowest since the 2008 financial crisis. Risk appetite, however, improved after the People's Bank of China fixed the daily reference rate for the onshore Chinese yuan at 6.9683, firmer than the expected 6.9871, and below the key 7 rate.

The GBP/USD pair rose slightly to settle at \$1.2165, above recent lows although it remained vulnerable as traders still worry that Britain is headed for a no-deal Brexit. The risk of a no-deal Brexit in October has surged in recent weeks under new PM Boris Johnson, hammering the pound to its lowest in more than two years.

The euro was flat against the dollar at \$1.1205.

The yen rose against the dollar to settle 106.25 after rallying from a low of 105.50 to as high as 107.05 in a volatile session sparked by worries about China's currency policy.

Elsewhere, oil prices steadied at \$58.95 on Tuesday after falling previously, with the potential for damage to the global economy and fuel demand from the intensifying Sino-U.S. trade dispute continuing to cast a shadow over the market.

Indicative Profit Rates on Deposits						
Amounts > 10 N	1illion	Amounts >100,000				
K	ŒS	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	1.1155	1.1305				
GBP/USD	1.2115	1.2215				
USD/AED	3.6675	3.6775				
USD/JPY	105.75	106.75				

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.