



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 7TH OCTOBER 2020

DOMESTIC NEWS

The local currency was stable during Tuesday's trading session with flows remaining well matched through the day. The home unit's movement was restricted to a tight range as both import and export counters remained well balanced. Lackluster activity and thin trading volumes also guided range bound trading with direction of the USDKES pair predominantly in line with the flows. Looking ahead, we expect the market to remain range bound within its recently established ranges, pending any change in fundamentals or market moving news. By close of day, the local unit stood at 108.45/108.65 the same as Monday's close.

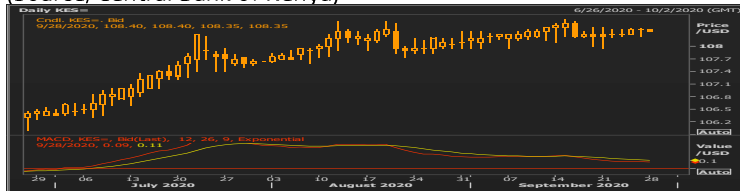
In other news, this month's bonds on offer are the FXD1/2011/20Yr (10.6 years left to maturity) and the FXD1/2018/25Yr (22.7 years left to maturity), the latter being the longest dated bond in circulation. Initial expectations for these bonds are as follows: FXD1/2011/20Yr: **12.00% - 12.10%** for the average and FXD1/2018/25Yr: **13.20% - 13.30%** for the average. These expectations are based on the market's push for higher rates in the secondary market as well as the CBK looking to lock in KES 50Bn from two bonds in the longer dated portion of the yield curve. In the meantime, the annual inflation rate in Kenya fell to **4.20%** in September of 2020 from 4.36% in the previous month. It was the softest inflation rate since September of last year, as prices slowed mostly for food & non-alcoholic beverages, clothing and footwear.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	105.05	112.05	106.05	111.05
GBP/KES	135.90	143.90	136.40	143.40
EUR/KES	123.90	130.90	124.35	130.35
AED/KES	28.05	31.05	28.05	31.05

Money Market Rates	Current	Previous	Change
Interbank Rate	2.543%	2.778%	-0.235
91-Day T-bill	6.400%	6.309%	0.091
182-Day T-Bill	6.839%	6.773%	0.066
364-Day T-Bill	7.744%	7.690%	0.054
Inflation	4.200%	4.360%	-0.160
CBR RATE	7.000%	7.000%	0.000

(Source: Central Bank of Kenya)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index moved upwards on Tuesday to 93.922 with investors digesting U.S. President Donald Trump's shock cancellation of talks on the latest stimulus measures. Trump, who is still in recovery from coronavirus and remains under medical surveillance, cancelled the talks with Democrats until after the election. Trump's move increases the downside risks to the U.S. economy, which was already shaky. Meanwhile, Federal Reserve Chairman Jerome Powell sounded the warning bell that the U.S. economy could slip into a downward spiral if coronavirus is not effectively controlled and called for more economic assistance.

The GBP/USD pair inched up to \$1.2883 on Tuesday, with even optimism over the U.K.'s informal divorce talks with the European Union failing to shield the pound from the dollar's gains. Also adding to the pair's weakness were fears of the UK's national lockdown due to rising cases of coronavirus.

The euro looked heavy at \$1.1733 on Tuesday as the safe-haven dollar showed resilience in the face of gains in the Asian stock markets over the recent clues from Trump.

The Japanese yen stays mildly positive while taking the bids near 105.70, amid the initial hour of Tokyo open on Wednesday. The yen recently gained bids as the Bank of Japan Governor Haruhiko Kuroda praised economic conditions while also highlighting fears of the coronavirus.

Elsewhere, global oil prices slipped on Wednesday to \$39.80 per barrel after U.S. President Donald Trump dashed hopes for a fourth stimulus package to boost the coronavirus-hit economy and on a larger-than-expected build-up in U.S. crude stocks.

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	1.1610	1.1830
GBP/USD	1.2805	1.3070
USD/AED	3.6675	3.6775
USD/JPY	104.20	107.50

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.