TREASURY MARKET UPDATE 9TH SEPTEMBER 2021

DOMESTIC NEWS

The local unit treaded water on Wednesday, in another low-key trading session where demand and supply counters remained balanced. The session saw recent dollar demand from importers ease, allowing the USDKES currency pair to remain unchanged by close of business. By close of day, the local unit stood at 110.00/110.20 the same as Tuesday's close.

In the meantime, The Central Bank of Kenya (CBK) invited bids for a 21-year amortized infrastructure bond worth KSh 75 billion in September 2021. It received bids worth KES 151 billion and accepted bids worth KES 106 billion at a weighted average rate of 12.737%. Meanwhile, the next meeting of the Monetary Policy Committee (MPC) will be held on Tuesday, September 28, 2021. At its last meeting on Wednesday, July 28th, 2021, the CBK retained the benchmark policy rate at 7% for the ninth consecutive time, said inflation pressures are expected to be elevated in the near term mainly driven by increases in food and fuel prices, and the impact of the recently implemented tax measures. However, the Committee says inflation is expected to remain within the target range with muted demand pressures. According to the apex bank, the economy is expected to rebound this year, supported by the continued reopening of the services sectors including education, recovery in manufacturing, and stronger global demand.

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	106.55	113.55	107.05	113.05
GBP/KES	147.40	155.40	147.90	154.90
EUR/KES	126.50	133.50	127.05	133.05
AED/KES	27.96	31.96	27.96	31.96

Money Market Rates	Current	Previous	Change
Interbank Rate	3.807%	3.765%	-0.042
91-Day T-bill	6.774%	6.741%	0.033
182-Day T-Bill	7.226%	7.195%	0.031
364-Day T-Bill	7.517%	7.492%	0.025
Inflation	6.570%	6.550%	0.120
CBR RATE	7.000%	7.000%	0.000

Source; Central Bank of Kenya)

LIBOR Rates	USD	EUR	GBP
6 Months	0.14813	-0.53671	0.09763
12 months	0.22000	-0.49843	0.22013

(Source: Reuters)

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INTERNATIONAL NEWS

The U.S. dollar index was supported on Wednesday at 92.664 as doubts over the global economy's strength subdued risk sentiment. New York Federal Reserve Bank President John Williams's comment on Wednesday that more progress is needed in the job market before asset tapering can begin gave risk sentiment a small boost. However, the Fed is widely expected not to announce asset tapering anytime soon after the weaker-than-expected U.S. jobs report released during the previous week.

The GBP/USD pair dropped to $1.3750 on Wednesday with the UK and EU remaining at odds on the way forward for the Northern Ireland Protocol. This, along with British Prime Minister Boris Johnson's plans to introduce a new 1.25% health and social-care levy on earned income. On the other hand, the sterling remains under renewed selling pressure after the Bank of England Governor Andrew Bailey said that the UK's economy is slowing down amid supply chain disruptions and staff shortages.

The euro steadied at $1.1810 on Wednesday ahead of a European Central Bank (ECB) policy meeting that is expected to result in a reduction in stimulus. The ECB is likely to begin asset tapering when it hands down its policy decision later in the day. It could reduce its buying under the pandemic emergency purchase program as low as EUR60 billion ($75.96 billion) monthly from the current EUR80 billion.

Elsewhere, global oil prices rose for a second session on Thursday to $72.83 per barrel, recovering from earlier losses as a decline in U.S. Gulf of Mexico output following damages from Hurricane Ida underpinned the market.

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	1.1770	1.1980
GBP/USD	1.3725	1.4165
USD/AED	3.6605	3.6870
USD/JPY	108.40	111.30