



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 12TH MAY 2020

DOMESTIC NEWS

The shilling began the new week slightly weaker amid a pickup in activity on the foreign currency demand counter. The uptick in dollar demand coupled with negligible foreign currency supply, exerted pressure on the local unit throughout the session. With foreign currency supply fizzling out of late, we see the local unit remaining vulnerable in the short term. By the close of trade, the local unit stood at 106.10/106.30 as compared to Friday's close of 106.05/106.25.

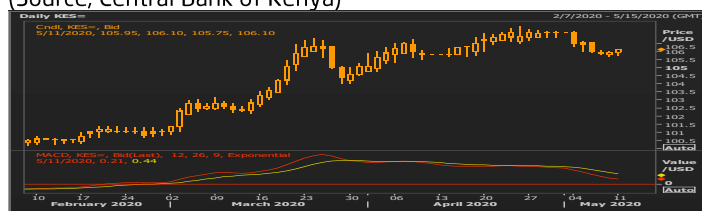
In other news, The International Finance Corporation (IFC) says developing countries, including Kenya, should expect a significant decline in Foreign Direct Investments over the next two years. The World Bank's private arm said a drop in FDIs will result in job losses as private firms are unable to sustain their businesses during this global pandemic. Prior to coronavirus, the government had been working to market Kenya as a favorable investment destination as FDI plays a significant role in the country's development strategy. As of December 2019, the Kenya National Chamber of Commerce and Industry reported that local businesses had attracted investments from foreign countries worth Sh300 billion. This will in turn further suppress local demand for goods and services resulting in a significant economic downturn.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	102.70	109.70	103.70	108.70
GBP/KES	126.90	134.90	127.40	134.40
EUR/KES	111.30	118.30	111.80	117.80
AED/KES	27.41	30.41	27.41	30.41

Money Market Rates	Current	Previous	Change
Interbank Rate	4.031%	4.181%	-0.150
91-Day T-bill	7.242%	7.212%	0.030
182-Day T-Bill	8.134%	8.121%	0.013
364-Day T-Bill	9.115%	9.110%	0.005
Inflation	5.620%	5.510%	0.310
CBR RATE	7.000%	7.250%	-0.250

(Source; Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The U.S. dollar index jumped on Monday to 100.22, led by a rise in U.S. Treasury yields as sentiment on risk turned positive amid efforts by governments to reopen their economies. The U.S. 10-year benchmark rate rose to 0.718%, though the upside will likely be limited amid expectations that the Federal Reserve could be forced to cut rates below zero. The ongoing expectations for negative rates come just days ahead of Federal Reserve Chairman Jerome Powell's virtual conference to deliver an economic update on Wednesday.

The GBP/USD pair fell to \$1.2330 on Monday even after Prime Minister Boris Johnson's government released a 50-plus-page plan to rebuild the economy. In addition, the uncertainty surrounding the on-going Brexit talks wherein the European Union negotiators are accused of politicizing the UK's financial services.

The euro was largely stable at \$1.0804 on Monday, progress on plans to re-open economies has been overshadowed by worries about fresh infections of COVID-19 as easing of restrictions in Germany were soon met by spikes in new cases there.

The Japanese yen is currently trading at 107.48 early Tuesday. Bank of Japan's governor Kuroda has noted that the downside risks for the economic outlook are large with Japan's economy likely to remain in a severe state.

Elsewhere, global oil prices rose on Tuesday to \$29.78 per barrel, boosted by an unexpected commitment from Saudi Arabia to deepen production cuts in June in a bid to help drain the glut in the global market that has built up as the coronavirus pandemic crushed fuel demand.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
2 Weeks	6.50%	1.25%
1 Month	6.75%	1.75%
3 Months	7.00%	2.00%
6 Months	7.50%	2.25%
1 year	8.00%	2.50%
Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.0750	1.0890
GBP/USD	1.2290	1.2380
USD/AED	3.6675	3.6775
USD/JPY	106.70	107.60

For more details, contact our Treasury staff Jackline, Loryne and Evelyn 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.