



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 14TH MAY 2020

DOMESTIC NEWS

The Kenya shilling took a beating on Wednesday losing ground against its American counterpart easily giving up its recently acquired gains. The local unit stumbled as demand for the greenback reared its head again amid slowing inflows. As the dollar inflows continue to ebb out amid uptick in activity on the demand counter, we see the local unit remaining under pressure in the short term. By the close of trade, the local unit stood at 106.45/106.55 as compared to Tuesday's close of 106.20/106.40.

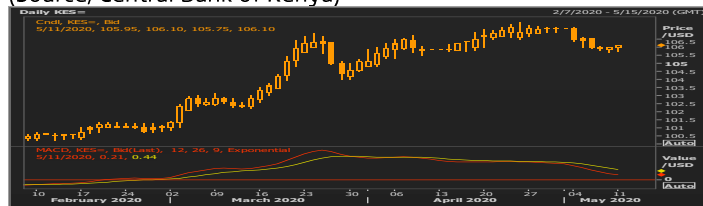
In other news, The International Monetary Fund raised Kenya's risk of debt distress to high from moderate due to the impact of the Covid-19 shock. While the East African economy's debt load remains sustainable, indicators such as the present value of external debt-to-exports and external debt service-to-exports have worsened, the IMF said in an assessment after the government requested disbursement under the Rapid Credit Facility in April. The lender last week approved \$739 million to support Kenya's response to the pandemic. This comes a few days after global rating agency Moody's Corporation changed the outlook of Kenya's creditworthiness to negative, citing the country's massive debt obligations. Public debt currently stands at Sh6.2 trillion or over 61 per cent of the Gross Domestic Product, driven up by past high deficits and large infrastructure projects, noted the IMF.

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	4.139%	4.108%	0.031
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 rose modestly on Wednesday to 99.90 after Federal Reserve Chair Jerome Powell delivered remarks in which he said an "extended period" of weak growth may be in store for the United States, while also rejecting the idea of using negative interest rates as a stimulative tool. In the meantime, US President Trump blocked investments into the Chinese stocks in turn causing China to react harshly. President Trump ruled out renegotiation of the Phase 1 deal while alleging China for the virus outbreak.

The GBP/USD pair slumped to \$1.2210 on Wednesday as downbeat performance of the UK data signaled that the UK economy might face a significant recession this year. However, the BOE Governor Andrew Bailey renewed hopes that the UK's central bank can help the nation overcome the extra debt piled during the virus crisis and avoid the need for austerity.

The euro moved lower to \$1.0810 on Wednesday, after Fed Chair Jerome Powell dismissed market rumors about the possibility of negative interest rates and has warned about a sustained economic downturn caused by the pandemic, increasing dollar bids.

The Japanese yen dropped to 106.85 in the Tokyo open on Thursday. While portraying the risk aversion wave, US 10-year Treasury yields extended their south run to 0.64% whereas Japan's NIKKEI also fell.

Elsewhere, global oil prices crept up on Thursday to \$29.25 per barrel supported by a surprise decline of U.S. crude inventories, but gains were capped by worries that a potential second wave of the coronavirus pandemic might trigger fresh lockdowns and slam fuel demand once again.

Indicative Profit Rates on Deposits

	Amounts > 10 Million	
	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.



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