



**DIB Bank Kenya**  
A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 18<sup>TH</sup> AUGUST 2022

### DOMESTIC NEWS

A choppy Wednesday session saw the home unit sink further against the greenback. Foreign currency demand continued to spin the USD/KES currency pair in favour of the greenback. Tenacious greenback appetite from various sectors of the economy hampered the local unit's quest for dominance. In the new day, markets remain focused on flows to determine direction for the USD/KES pair, with players inclined to a narrative of a weaker shilling amid limited foreign currency inflows. By close of day, the local unit stood at 119.50/119.70 as compared to Tuesday's close of 119.45/65.

Meanwhile, Costly imports of fuel, edible oils and fertilizer widened Kenya's trade deficit to a record Sh666.2 billion in the first five months of the year, piling pressure on the shilling and straining household budgets due to rising inflation. The 23 percent or Sh189 billion jump in the import bill to Sh1.02 trillion is largely a result of the ongoing Russia-Ukraine conflict, which has disrupted global supply chains of critical commodities such as petroleum fuels, metals, fertilizer, and grains. The invasion of Ukraine that began on February 24 led to shipping lines boycotting Russia, while subsequent sanctions piled pressure on the country's market. Data from the Central Bank of Kenya (CBK) shows that this growth in imports has significantly outstripped that of export earnings, which in the period grew by Sh41 billion to Sh354 billion.

#### Indicative Forex Rates

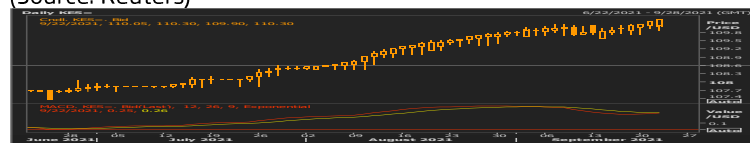
	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	116.15	126.95	115.65	126.65
GBP/KES	140.05	159.55	139.25	154.05
EUR/KES	116.77	142.67	117.07	135.67
AED/KES	28.57	44.57	30.57	38.07

Money Market Rates	Current	Previous	Change
Interbank Rate	5.598%	5.545%	0.053
91-Day T-bill	8.565%	8.473%	0.092
182-Day T-Bill	9.433%	9.400%	0.033
364-Day T-Bill	9.922%	9.920%	0.002
Inflation	8.300%	7.900%	0.400
CBR RATE	7.500%	7.500%	0.000

Source; Central Bank of Kenya)

TENOR	USD SOFR RATES	EUR STR RATES	GBP SONIA RATES
3 Months	2.76253	-0.46913	2.15520
6 months	3.12125	-0.52360	2.65140

(Source: Reuters)



(Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar index was on the front foot on Thursday at 106.740 after minutes from the Federal Reserve's July meeting pointed to U.S. interest rates staying higher for longer to bring down inflation. Fed officials saw "little evidence" late last month that U.S. inflation pressures were easing, the minutes showed. The minutes flagged an eventual slowdown in the pace of hikes, but not a switch to cuts in 2023 that traders until recently had priced into interest-rate futures. Traders see about a 39% chance of a third consecutive 75 basis point Fed rate hike.

The GBP/USD pair flexes its muscles around \$1.0250, after retaking control following a brief bounce after the Fed Minutes. The cable pair's inaction could be attributed to the lack of major data/events during Thursday's morning session. It's worth noting that the quote poked weekly top after the UK inflation data but failed to remain firmer amid fears that higher price pressure could lead to recession.

The euro is heading towards \$1.0150, on the defensive amid a risk-averse environment in Thursday's trading so far. The euro bore the brunt of the downward revision to the Eurozone Q2 GDP print, which came in at 0.6% vs. 0.7% booked in the first estimate. Additionally, the deepening energy crisis in the continent, thanks to the Russia-Ukraine war and excessive heatwave has dried up the Rhine River in Germany.

Elsewhere, global oil prices were little changed on Thursday at \$93.75 per barrel as investors grappled with falling stockpiles in the United States, rising output from Russia and worries about a potential global recession. Prices rose more than 1% during the previous session, although Brent touched its lowest level since February.

#### Indicative Profit Rates on Deposits

	Amounts > 10 million	Amounts >100,000
	KES	USD
2 Weeks	6.55%	0.35%
1 Month	6.75%	0.55%
3 Months	7.00%	0.80%
6 Months	7.50%	1.25%
1 year	8.00%	1.75%

#### Indicative Cross Rates

	Bid	Offer
EUR/USD	0.9960	1.12430
GBP/USD	1.1680	1.2550
USD/AED	3.6640	3.6880
USD/JPY	129.30	139.40

For more details, contact our Treasury staff Mary, Bernard, Loryne Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55/51, Cell +254 709913351/54/55. 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.