



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 19TH FEBRUARY 2020

DOMESTIC NEWS

The tide continued to turn against the Kenya Shilling on Tuesday as a result of increased foreign currency demand. An uptick in corporate activity on the demand counter outweighed dollar sellers and exerted upward pressure on the USDKES currency pair throughout the session. The domestic unit's movement today is likely to remain flow-based, as demand and supply forces battle for supremacy in the local FX scene. By close of trade, the local unit stood at 101.00/20 as compared to Monday's close of 100.90/10.

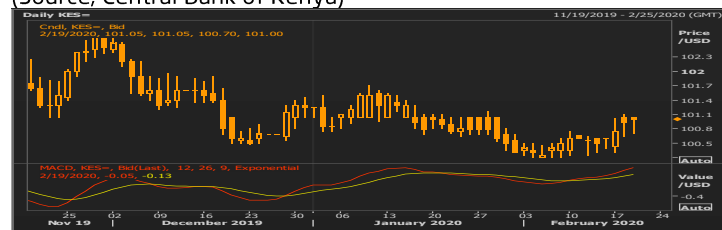
In other news, Kenya's government plans to cut state spending in the financial year starting in July to 23.6% of gross domestic product (GDP) from 26.0% in the current fiscal year, the Finance Ministry said in its budget policy statement. Belt-tightening measures will help the government meet its target to reduce the fiscal deficit for the period to 4.9% of GDP, down from 6.3%/GDP for this fiscal year, the ministry said in a statement on Tuesday. The Treasury plans to borrow 222.9 billion shillings (\$2.21 billion) locally to plug the budget gap and tap another 345.1 billion shillings from foreign sources. Kenya's fiscal deficit, which peaked at 9.1% of GDP in the 2016/17 financial year, has been exacerbated by higher spending on infrastructure projects.

Indicative Forex rates

| | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 97.60 | 104.60 | 98.60 | 103.60 |
| GBP/KES | 127.50 | 135.50 | 127.95 | 134.95 |
| EUR/KES | 105.65 | 112.65 | 106.15 | 112.15 |
| AED/KES | 26.02 | 29.02 | 26.02 | 29.02 |

| Money Market Rates | Current | Previous | Change |
|--------------------|---------|----------|--------|
| Interbank Rate | 4.058% | 3.974% | 0.084 |
| 91-Day T-bill | 7.314% | 7.300% | 0.014 |
| 182-Day T-Bill | 8.258% | 8.248% | 0.010 |
| 364-Day T-Bill | 9.850% | 9.873% | -0.023 |
| Inflation | 5.780% | 5.820% | -0.040 |
| CBR RATE | 8.250% | 8.500% | -0.250 |

(Source; Central Bank of Kenya)



(Source; Reuters)

INTERNATIONAL NEWS

The U.S. dollar index gained on Tuesday to 99.132 owing to the return of risk aversion in the financial markets amid concerns about the extent of the damage caused by the coronavirus in China. The ongoing worries about the impact of the coronavirus on global growth is expected to maintain demand for the dollar against its rivals. Only when the virus issue dies down and the impact from all the stimulus around the world starts to become apparent, will we see downward pressure on the greenback.

The GBP/USD pair dropped to \$1.2998 on Tuesday, as traders weighed up mixed jobs data against growing expectations that the U.K. will unveil fiscal measures intended to boost growth. Britain's new finance minister Rishi Sunak said he would deliver the budget as planned in three weeks. In addition to the UK CPI, US housing market numbers and the Producer Price Index will also be important to watch for considering the central bank's upward revision to price pressures.

The euro fell to \$1.0802 on Tuesday, but trading as low as \$1.0786 for the first time since April 2017, as investor sentiment in Germany deteriorated more than expected in February, adding to concerns about the ongoing weakness in the euro zone.

The Japanese yen is taking bids to 110.00 during early Wednesday. The risk barometer recently benefited from the uptick in Asian stocks. Also contributing to the pair's run-up could be mixed data from Japan as well as risk reset based on catalysts from China.

Elsewhere, global oil prices gained 1% on Wednesday to \$58.34 per barrel, amid broad optimism as new coronavirus cases fell for a second day in China and concerns rose over supply after a U.S. move to cut more Venezuelan crude from the market.

Indicative Profit Rates on Deposits

| | Amounts > 10 Million | | Amounts >100,000 | |
|----------|----------------------|-------|------------------|-----|
| | KES | USD | KES | USD |
| 2 Weeks | 6.50% | 1.25% | | |
| 1 Month | 7.00% | 1.75% | | |
| 3 Months | 8.00% | 2.00% | | |
| 6 Months | 8.25% | 2.25% | | |
| 1 year | 9.00% | 2.50% | | |

Indicative Cross Rates

| | Bid | Offer |
|---------|--------|--------|
| EUR/USD | 1.0720 | 1.0860 |
| GBP/USD | 1.2950 | 1.3090 |
| USD/AED | 3.6675 | 3.6775 |
| USD/JPY | 109.85 | 110.65 |

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