



DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 22ND MAY 2020

DOMESTIC NEWS

The Kenya shilling continued its downward trajectory against the dollar in Thursday's trading session. Dollar demand hit the FX counters through the day, amid limited inflows that caused the home unit to close the trading session on the back foot after failing to anchor itself against the dollar. As investors ponder on the likely impact that the \$ 1 Billion World Bank loan could have in cushioning the economy, we expect the domestic unit to continue trading within these elevated levels. By the closing bell, the local unit stood at 106.90/107.15 as compared to Wednesday's close of 106.75/106.95.

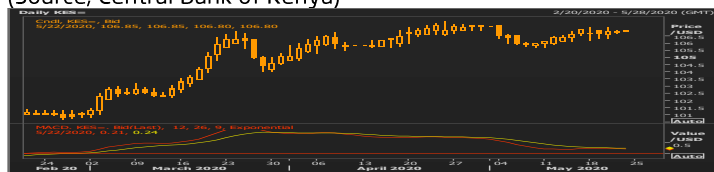
In other news, Kenya received \$1billion (Sh106 billion) from World Bank to support its budget and cushion the economy from the vagaries of the Covid-19. The loan is priced at 1.35 to two per cent with a five-year grace period. The repayment period is 30 years. The funds provide concessional resources to help Kenya navigate the current COVID-19 crisis and to cushion the impact on livelihoods and jobs while supporting the continued operation of essential public services. However, with GDP growth plummeting to a projected 1.5 per cent in 2020, the ongoing COVID-19 crisis threatens to derail progress in the reduction of poverty and boosting shared prosperity. Treasury warmly received World Bank's loan, with CS Ukur Yatani saying that the approval signifies the international community's confidence in Kenya's fiscal policy reforms.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	103.65	110.65	104.65	109.65
GBP/KES	126.85	134.85	127.35	134.35
EUR/KES	113.65	120.65	114.15	120.15
AED/KES	27.67	30.67	27.67	30.67

Money Market Rates	Current	Previous	Change
Interbank Rate	4.188%	4.214%	-0.026
91-Day T-bill	7.319%	7.266%	0.053
182-Day T-Bill	8.227%	8.192%	0.035
364-Day T-Bill	9.195%	9.173%	0.022
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 posted gains on Thursday at 99.403 as key capitalists digested the latest downbeat comments from the Federal Reserve. In addition, the greenback was boosted by reports that China was planning controversial national security laws for Hong Kong in the aftermath of pro-democracy protests in the city in the second half of 2019. The plans drew an immediate response from the United States, with President Donald Trump saying the United States will react strongly if China imposes the laws, and two U.S. senators were preparing a bill imposing sanctions on entities involved in upholding the law.

The GBP/USD pair dropped to \$1.2212 on Thursday, with market players continuing to worry whether the Bank of England will cut interest rates below zero, weighed by apparent difficulties in Brexit trade negotiations with the EU as well as the prospect of negative interest rates given the likely depth of the economic slowdown ahead. U.K. Chancellor Rishi Sunak warned earlier this week that the country faced a severe recession.

The euro flopped to \$1.0962 on Thursday, as market mood dampened following Trump's accusations to China for trying to interfere in US elections.

The Japanese yen fell to 107.60 early Friday. The Japanese central bank left monetary policy unchanged during the surprise meeting while announcing targeted aids for the small and mid-sized firms.

Elsewhere, global oil prices slumped on Friday to \$34.50 per barrel after China's decision to omit an economic growth target for 2020 as concerns that the fallout from the coronavirus pandemic will continue to depress fuel demand persisted.

Indicative Profit Rates on Deposits

	Amounts > 10 Million	
	KES	USD
2 Weeks	6.00%	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	1.0895	1.0990
GBP/USD	1.2170	1.2280
USD/AED	3.6675	3.6775
USD/JPY	106.85	108.40

For more details, contact our Treasury staff Jackline, Loryne and Evelyn on Tel +254 20 5131311, DL +254 20 513 1351/55, Cell +254 709913351/55. 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.