



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 28TH JANUARY 2020

DOMESTIC NEWS

The home unit traded flat against its U.S. counterpart on what was a calm day in the local foreign exchange market on Monday. The home unit's movement was restricted to a tight range as both import and export counters reported reduced activity. Devoid of any major market moving events, we expect the shilling to continue trading within these elevated levels. By close of trade, the local unit stood at 100.80/00 the same as Friday's close.

In other news, Kenya's central bank cut its benchmark lending rate on Monday for the second time in a row, saying the economy was operating below potential and there was room for a more accommodative monetary policy. The bank slashed the rate to **8.25%** from 8.50%. This follows a reduction in November by 50 basis points, the first such move by policymakers after holding it for seven straight meetings. The Committee noted that there was room for further accommodative monetary policy to support economic activity. The Monetary Policy Committee therefore decided to lower the Central Bank Rate. It likely demonstrates the resolve of the CBK to provide more accommodative monetary conditions to support growth, given in its view, these conditions allow for accommodation.

Indicative Forex rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	97.35	104.35	98.35	103.35
GBP/KES	127.70	135.70	128.20	135.20
EUR/KES	107.65	114.65	108.20	114.20
AED/KES	25.96	28.96	25.96	28.96

Money Market Rates	Current	Previous	Change
Interbank Rate	4.257%	3.861%	0.396
91-Day T-bill	7.279%	7.232%	0.047
182-Day T-Bill	8.212%	8.167%	0.047
364-Day T-Bill	9.859%	9.842%	0.017
Inflation	5.820%	5.560%	0.260
CBR RATE	8.500%	9.00%	-0.500

(Source: Central Bank of Kenya)



(Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar index remained on the back-foot Monday at 97.97, pressured by a surprise fall in new home sales data and a bid in the yen and Swiss franc as worries intensified over the spread of the deadly coronavirus. The Commerce Department said new home sales fell 0.4% to a seasonally adjusted annual rate of 694,000 units in December, confounding expectations for a 1.5% rise to 730,000 units.

The GBP/USD pair struggled for direction on Monday at \$1.3060 amid a lack of major catalysts. With uncertainty surrounding the post-Brexit trade deal between the European Union and the UK recently weighed on the pound. Over the economic front, the latest data from Britain have helped cut the odds of the BOE's rate cut, that were previously seen as confirmed due to the Governor's bearish tone and downbeat figures. While Thursday's BOE will be the first trigger for the GBP/USD, followed by Brexit talks during the early February, traders will also keep eyes on the US data and risk headlines for intermediate direction.

The euro slipped to \$1.1102 on Monday as German business confidence unexpectedly slipped in January, denting hopes that the weakness in the manufacturing sector had steadied.

The Japanese yen drops to 108.90 at the start of Tuesday's Asian session. Concerns surrounding China's coronavirus have recently smashed trade sentiment exactly when the global investors were started taking a sigh of relief. The US data came in mixed whereas tensions in the Middle East also hindered market performance.

Elsewhere, global oil prices fell for a sixth session on Tuesday to \$58.95 per barrel as the spread of a new virus in China and several countries raised concerns about a hit to economic growth and oil demand.

Indicative Profit Rates on Deposits		
	Amounts > 10 Million	Amounts >100,000
	KES	USD
2 Weeks	6.50%	1.25%
1 Month	7.00%	1.75%
3 Months	8.00%	2.00%
6 Months	8.50%	2.25%
1 year	9.00%	2.50%

Indicative Cross Rates		
	Bid	Offer
EUR/USD	1.0995	1.1140
GBP/USD	1.3005	1.3110
USD/AED	3.6675	3.6775
USD/JPY	108.80	109.60

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