

## TREASURY MARKET UPDATE 2ND MARCH 2020

## **DOMESTIC NEWS**

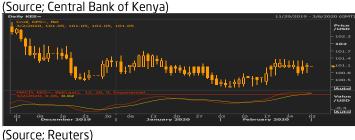
The shilling was on the back foot on Friday as pressure mounted from dollar buyers across the energy and manufacturing sectors. Resurgent dollar demand pushed the USDKES pair up while the foreign currency inflows that previously offered support to the local unit thinned out, leaving the home unit exposed. By close of trade, the local unit stood at 101.10/30 as compared to Thursday's close of 100.95/15.

In other news, Kenya's inflation rose to 6.37% in February hitting a ten-month high from 5.78% a month earlier, the statistics office said on Friday, largely driven by increased food prices. On a monthly basis, inflation was 1.80% from 0.31% in January, the Kenya National Bureau of Statistics said in a statement. During the period under review, housing, water, electricity, gas, and other fuels' index increased by 0.47 percent due to an increase in the cost of house rents. The cost of electricity consumption and kerosene dropped. While on the other hand, the transport index increased by 0.32 percent in the same period an increase attributed to a rise in the prices of petrol, diesel, and airfares. In the meantime, the monetary authority was in the market for the 7-day repo in a bid to mop KES 5 billion at a weighted average rate of 4.002%.

## **Indicative Forex rates**

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	97.70	104.70	98.70	103.70
GBP/KES	125.85	133.85	126.35	133.35
EUR/KES	108.45	115.45	108.95	114.95
AED/KES	26.05	29.05	26.05	29.05

Money Market Rates	Current	Previous	Change
Interbank Rate	3.926%	4.000%	-0.074
91-Day T-bill	7.315%	7.394%	-0.079
182-Day T-Bill	8.235%	8.258%	-0.023
364-Day T-Bill	9.500%	9.799%	-0.299
Inflation	5.780%	5.820%	-0.040
CBR RATE	8.250%	8.500%	-0.250



## **INTERNATIONAL NEWS**

The U.S. dollar index regained positive ground on Friday to hold on to the 98.50 region. The main takeaway were the comments from Powell. Markets had already begun building in the prospects of a rate cut from the Fed, with a huge spike in the probability for a rate cut as soon as March, (a full 25 basis point (bps) cut on March 18th and a 70% chance of 50 bps). Powell said that he is closely monitoring the virus as it "poses evolving risks to economic activity," and, "we will use our tools and act as appropriate to support the economy".

The GBP/USD pair picked up pace pushing the pound to \$1.2800 on Friday. Persistent uncertainty about the future UK-EU trade relationship continued weighing on the sentiment surrounding the sterling. It is worth recalling that the EU's mandate on the post-Brexit negotiations emphasized on the need for a 'level playing field' while the UK threatened to walk away from trade talks on WTO rules in June unless there is the "broad outline" of an agreement.

The euro saw its gains trimmed after testing \$1.1050 on Friday. It remained largely apathetic after preliminary inflation figures in Germany showed the CPI is expected to rise during February.

The Japanese yen recovers to 108.00 early Monday morning. Bank of Japan governor Haruhiko Kuroda said the central bank is closely monitoring the situation in the financial markets and would provide ample liquidity to ensure financial stability. Kuroda's comments are accompanied by expectations for fresh easing.

Elsewhere, global oil prices pared losses at \$50.32 per barrel after earlier hitting multi-year lows on Monday as hopes that a bigger than expected production cut from OPEC and stimulus from central banks could offset economic gloom from the coronavirus outbreak.

Indicative Profit Rates on Deposits					
Amounts	s > 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	8.25%	2.25%			
1 year	9.00%	2.50%			
Indicative Cross Rates					
Bid		Offer			
EUR/USD	1.1005	1.1095			
GBP/USD	1.2800	1.2930			
USD/AED	3.6675	3.6775			
USD/JPY	107.50	108.90			

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