



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

## TREASURY MARKET UPDATE 4<sup>TH</sup> NOVEMBER 2022

### DOMESTIC NEWS

The shilling waffled to the weaker side on Wednesday as demand for the greenback dominated the market. The narrative of a higher dollar demand side persisted in the local FX market as players held on to paltry inflows, leaving the local currency somewhat weaker by close of business. Ahead of the weekend, we expect the local unit to be marooned within the contemporary boundary in absence of any noteworthy impulse. By close of day, the local unit stood at 121.45/121.65 as compared to Tuesday's close of 121.40/121.60.

Meanwhile, State-owned enterprises (SoEs) are sitting on non-guaranteed foreign currency debt worth Sh74.9 billion, exposing them to higher financing costs due to the sharp depreciation of the shilling against the US dollar. The dollar loans account for three quarters of the State-owned enterprises' total non-guaranteed debt of Sh99.3 billion, according to the Treasury's annual debt management report for the fiscal year ended June 2022. Servicing costs for dollar loans have gone up for the parastatals due to the weakening of the shilling by 6.8 percent to the dollar this year, which has raised the cost of buying the greenback locally to pay external lenders. Those looking to roll over existing dollar debt or contract new borrowing have also been hit with higher interest rate demands by potential lenders, largely due to higher rates on offer in safer, more attractive western markets.

#### Indicative Forex Rates

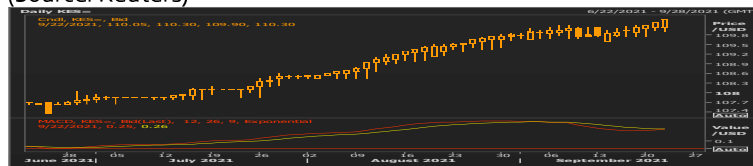
	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	118.10	128.60	117.60	128.10
GBP/KES	132.53	152.03	131.73	146.53
EUR/KES	114.05	139.95	114.35	132.95
AED/KES	29.11	39.11	31.11	38.61

Money Market Rates	Current	Previous	Change
Interbank Rate	4.541%	4.636%	-0.095
91-Day T-bill	9.139%	9.127%	0.012
182-Day T-Bill	9.691%	9.678%	0.013
364-Day T-Bill	10.109%	9.965%	0.144
Inflation	9.600%	9.200%	0.400
CBR RATE	8.250%	7.500%	0.750

Source: Central Bank of Kenya

TENOR	USD SOFR RATES	EUR STR RATES	GBP SONIA RATES
3 Months	4.18419	0.32676	3.26400
6 months	4.55400	-0.10925	3.77200

(Source: Reuters)



(Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar index dollar looked set to post its best week in over a month on Friday at 112.71. Fed rate futures now point to a terminal rate of about 5.15% by mid-2023, after the Federal Reserve raised interest rates by three-quarters of a percentage point this week. While investors initially cheered a signal that the central bank may be nearing an inflection point in its aggressive monetary policy tightening campaign, Fed Chair Jerome Powell was quick to dampen hopes of a potential pivot, adding that it was "very premature" to discuss when the Fed might pause its increases.

The GBP/USD pair steadies around a three-week low near 1.1160 following the biggest daily slump in 1.5 months as traders prepare for the US employment data for October during early Friday. The Bank of England hiked the monetary policy rate by 75 bps to 3.0% while matching the market forecasts. Following the rate announcements and the economic forecasts, BOE Governor Andrew Bailey said, "Bank rate may have to go up further." Adding to the gloom, the Bank of England warned on Thursday that it thinks Britain has entered a recession and the economy might not grow for another two years.

The euro jumped licks its wounds around a three-week low as it approaches the intraday high near 0.9770 on Friday. On Thursday, European Central Bank (ECB) President Christine Lagarde said, "A recession won't be sufficient to settle inflation." The policymaker also stated that they must be attentive to spillovers from the Fed policy.

Elsewhere, global oil prices turned higher on Friday to \$95.32 per barrel but gains were capped by recession fears and fresh concerns that COVID outbreaks will dent fuel demand in China.

#### Indicative Profit Rates on Deposits

	Amounts > 10 million	
	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	0.9850	1.1270
GBP/USD	1.1120	1.1850
USD/AED	3.6650	3.6885
USD/JPY	141.50	155.60

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.