



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 12TH OCTOBER 2023

DOMESTIC NEWS

Kenya's shilling slipped to a fresh all-time low on Wednesday, driven by broad-based forex demand and few inflows. Commercial banks quoted the shilling at 148.90/149.10 per U.S. dollar, compared with Monday's closing rate of 148.80/149.00.

The Treasury increased emergency borrowings from the Central Bank of Kenya (CBK) to the near limit of Sh80 billion in the year ended June on cash flow pressures, more than doubling the apex bank's interest earning from this lending. The CBK discloses in the latest annual report that the Treasury closed the financial year ended June with overdraft worth Sh76.46 billion, being a 30.6 percent rise from Sh58.5 billion in the preceding financial year. The increased use of overdraft by the Treasury raised the CBK's interest from these borrowings to Sh5.16 billion or 2.5 times more than the Sh2.06 billion earned in the previous financial year. The overdraft facility a temporary source of cash to cater for priority payments and emergencies is usually tapped by the Treasury when revenue streams such as tax receipts and debt do not flow into government accounts at a pace that matches expenditure cash demands. (Business Daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	145.05	156.55	145.05	156.30
GBP/KES	179.61	191.46	178.81	192.01
EUR/KES	153.54	166.94	153.84	168.34
AED/KES	36.58	49.58	38.58	50.08

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	9.50%	1.50%
1 Month	9.75%	2.50%
3 Months	10.00%	3.25%
6 Months	10.25%	3.50%
1 year	10.50%	4.25%



USD movement from July 2023 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar was steady on Wednesday after a core reading of U.S. producer prices showed underlying inflation moderated further in September, leading the market to reason the Federal Reserve is done hiking interest rates. The market later barely reacted to minutes of the Fed's policy meeting last month that showed uncertainty around the path of the U.S. economy pushed Fed officials into a cautious stance as they debated whether more rate hikes were needed. The dollar index, which tracks the U.S. currency against six others, traded little changed after touching a two-week low of 105.550. After stripping out food, energy and trade services, the producer price index (PPI) gained 0.2% last month, the same margin as in August. In the 12 months through September, core PPI increased 2.8%, or less than a 2.9% advance in August.

Elsewhere the EUR/USD rose 0.1% to 1.0608, not far from Tuesday's two-week top of 1.0620, as a consequence of the dollar weakness. GBP/USD edged lower to 1.2284, just off the previous session's three-week high of 1.2303, after data from the Recruitment and Employment Confederation showed that British employers cut their job vacancies for the first time in more than two-and-a-half years in September and reduced their hiring again, adding to signs of a cooling in the labour market. AUD/USD fell 0.1% to 0.6427, NZD/USD fell 0.2% to 0.6030 and USD/CNY rose 0.1% to 7.2988.

In the commodities markets, Oil prices fell for a third day on Thursday, dragged down by a larger-than-expected crude and gasoline stockbuild in the U.S. and easing supply concerns. Brent futures declined by 30 cents, or 0.35%, to \$85.52 a barrel, while U.S. West Texas Intermediate crude slipped 42 cents, or 0.50%, to \$83.07 a barrel. U.S. crude oil stockpiles swelled by about 12.9 million barrels, according to market sources citing American Petroleum Institute figures on Wednesday.

On the other end Oil prices might not be getting the risk premium many thought from the Middle East's latest conflagration but gold seems to be acing it, back in its role as a safe haven of choice — especially after the dollar's crumble this week. The spot price of gold, more closely watched by some traders than futures, was at \$1,874.33, up \$13.81, or 0.7%, on the day. The session peak was \$1,858.70. Gold rose as the US Dollar Index backed further from last week's 11-month peaks and bond yields, benchmarked to the U.S. 10-year Treasury note, retreated from the highest levels since 2007.

(Reuters)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0432	1.0833
GBP/USD	1.2121	1.2525
USD/ZAR	16.8069	20.8203
USD/AED	3.6528	3.6931
USD/JPY	147.08	151.09

For more details, contact our Treasury staff Mary, Bernard, Joseph & Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55/51, Cell +254 709913351/52/54. 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.