



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 23<sup>RD</sup> OCTOBER 2023

### DOMESTIC NEWS

Kenya's shilling was steady on Thursday, but it is expected to lose ground due to increased demand for dollars from the manufacturing and energy sectors. Commercial banks quoted the shilling at 149.80/150.00, the same level as Wednesday's closing rate.

The war between Israel and Palestinian group Hamas is set to hit Kenya with fresh economic pain as oil prices rise on concerns of a destabilized Middle East and the potential strengthening of the dollar against the shilling as investors run to the safe haven of the US economy. The conflict, which broke out two weeks ago, is threatening to draw in more actors from the Middle East, which is the main source of Kenya's fuel imports as well as a key export destination of food and animal products. Since the start of hostilities on October 7, the price of Brent crude oil (the global benchmark) has jumped by 10.4 percent or \$8.75 to \$93.18 a barrel. Murban oil, from which Kenya's petroleum imports are drawn, has in the period appreciated in price by 8.1 percent or \$6.97 to \$93.11 a barrel. A rise in crude prices is set to pile upward pressure on pump prices in Kenya, which after the most recent review last week rose to an all-time high of Sh217.36 per litre of petrol and Sh205.47 for diesel in Nairobi. The cost of fuel impacts heavily on inflation due to the movement of goods and services. (Business Daily)

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	146.00	157.50	146.00	157.25
GBP/KES	178.24	190.09	177.44	190.64
EUR/KES	153.79	167.19	154.09	168.59
AED/KES	36.84	49.84	38.84	50.34

	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 dropped on Thursday after Federal Reserve Chair Jerome Powell was interpreted as being generally dovish in comments made at an economic forum, even as he warned that the U.S. central bank could raise interest rates again. The U.S. economy's strength and continued tight labor markets could warrant further rate increases, Powell said. But he also noted that recent market-driven increases in bond yields have helped to "significantly" tighten overall financial conditions. Several Fed officials in recent weeks have noted the impact of rising Treasury yields. The benchmark 10-year yield reached a 16-year high of 4.996% on Thursday. Markets expect the Fed to hold rates at current levels for the foreseeable future, but are pricing in some probability of an additional increase. The dollar index was last down 0.27% on the day at 106.24. The euro gained 0.42% to \$1.0581.

Elsewhere the GBPUSD, also traditionally more vulnerable to global swings, was down 0.2% at \$1.2118 while the EURUSD was 0.1% firmer at \$1.05515. Neither currency was far from multi-month lows hit in early October. The USDJPY was last at 149.82 yen, closing in on the psychologically significant 150 yen level that earlier this month triggered a sharp sudden strengthening for the yen, although analysts say the indications suggest Japan did not intervene.

In the commodities markets, Oil prices slid more than \$1 on Monday as diplomatic efforts grew over the weekend to contain the conflict between Israel and the Palestinian Islamist group Hamas, although Gaza continued to be bombarded. Brent crude futures fell 79 cents to \$91.37 a barrel, having lost \$1.02 to \$91.14 a barrel earlier in the session. U.S. West Texas Intermediate crude futures were down 91 cents at \$87.17 a barrel, after sliding \$1.72 to \$87.03 a barrel earlier on Monday. U.S. President Joe Biden, who visited Israel last week, had calls on Sunday with the leaders of Canada, France, Britain, Germany and Italy, after speaking with Israeli Prime Minister Benjamin Netanyahu and Pope Francis.

On the other end Gold retained its shine across the safe haven world on Friday, revisiting \$2,000 the first time since August and eventually setting a three-month high, as contagion worries from the Middle East's latest war and the Federal Reserve's hesitancy to raise US interest rates anymore sent a horde of investors toward the yellow metal. The spot price of gold, more closely watched by some traders than futures, was at \$1,981.49, up \$7.08, or 0.4%, after a session high of \$1,997.20.

(Reuters)

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0376	1.0779
GBP/USD	1.1948	1.2351
USD/ZAR	17.0027	21.0182
USD/AED	3.6529	3.6931
USD/JPY	147.93	151.94

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