



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 25<sup>TH</sup> OCTOBER 2023

### DOMESTIC NEWS

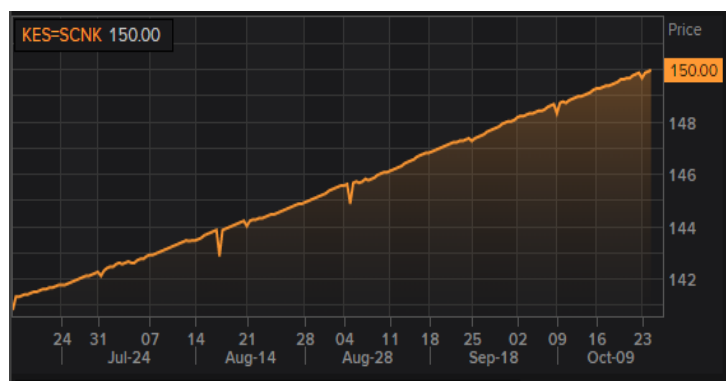
Kenya's shilling was stable against the dollar on Tuesday, as remittance inflows matched manufacturing and energy sector demand in a quiet session. Commercial banks quoted the shilling at 150.00/20, the same as the close of Monday's session.

The Central Bank of Kenya (CBK) has said the shilling was overvalued by upto 25 percent in a rare admission that suggests the ongoing free-fall of the currency is far from flattening out. CBK governor Kamau Thugge told MPs that the demand for the foreign exchange has outweighed supply in most months leading to the depreciation of the shilling that has since officially crossed the Sh150 mark against the US dollar. But it is the admission that the currency had been overvalued as the country fought to maintain an "artificially strong exchange" rate that sent shockwaves across the financial markets as the regulator waits for the shilling to find its true value. "I think for several years now, we have had an overvalued exchange rate, in fact if you go back six years ago there was a raging debate as to whether the Kenyan shilling exchange rate was overvalued and at that time the Bretton Woods institutions felt that actually the exchange rate was overvalued by anywhere between 20 to 25 percent," Dr Thugge said. (Business Daily)

### Indicative Forex Rates

|         | Buy Cash | Sell Cash | Buy TT | Sell TT |
|---------|----------|-----------|--------|---------|
| USD/KES | 146.20   | 157.70    | 146.20 | 157.45  |
| GBP/KES | 178.85   | 190.70    | 178.05 | 191.25  |
| EUR/KES | 154.35   | 167.75    | 154.65 | 169.15  |
| AED/KES | 36.89    | 49.89     | 38.89  | 50.39   |

|          | 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 rose against a basket of currencies on Tuesday as a slew of fresh economic data highlighted the strength of the U.S. economy relative to the United Kingdom and the European Union. U.S. business output ticked higher in October as the manufacturing sector pulled out of a five-month contraction on a pickup in new orders, and services activity accelerated modestly amid signs of easing inflationary pressures, S&P Global said on Tuesday. It was the latest sign the U.S. economy is withstanding the surge in interest rates, spurred by the Federal Reserve's campaign to beat back inflation. The dollar index, which measures the currency's strength against a basket of six rivals, was 0.6% higher at 106.27. The index had slipped to a one-month low of 105.35 earlier in the session.

Elsewhere the EURUSD was last 0.05% higher at \$1.0595, having declined 0.75% on Tuesday. USDJPY pinned near the closely watched 150 threshold, with the Japanese currency last at 149.86 per dollar, having mostly traded sideways over the past month and keeping traders on their toes for any signs of intervention by Japanese authorities. GBPUSD rose 0.04% to \$1.2165, while the New Zealand dollar gained 0.08% to \$0.5849.

In the commodities markets, Oil was little changed on Wednesday after falling for three days as concerns about slowing European demand offset worries of Middle East supply disruptions stemming from the Israel-Hamas conflict in Gaza. Brent crude futures edged higher by 6 cents to \$88.13 a barrel, while U.S. West Texas Intermediate crude futures were up 1 cent to \$83.75 a barrel. Euro zone business activity data took a surprise downturn this month, suggesting the bloc may slip into recession, creating a drag on the outlook for oil demand.

On the other end Gold prices dipped modestly for a second day in a row, staying not too far from the key \$2,000 an ounce level Tuesday, as Europe's economic woes helped the preferred safe-haven hold its own against the dollar — even as reduced intensity in the Israel-Hamas war created less need for hedging. The spot price of gold, more closely watched by some traders than futures, was at \$1,973.49, up 63 cents, or 0.03%, after a session low of \$1,953.81. On the Middle East front, diplomatic efforts convinced Israel to delay a ground assault on Gaza while the United States and other world powers negotiated the release of an estimated 200 Israeli hostages being held by Hamas, the Palestine militant group.

(Reuters)

### Indicative Cross Rates

|         | Bid     | Offer   |
|---------|---------|---------|
| EUR/USD | 1.0399  | 1.0801  |
| GBP/USD | 1.1971  | 1.2372  |
| USD/ZAR | 17.0149 | 21.0276 |
| USD/AED | 3.6524  | 3.6934  |
| USD/JPY | 147.82  | 151.84  |

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