



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 19TH DECEMBER 2023

DOMESTIC NEWS

Kenya's shilling KES= gained ground against the dollar on Monday and it was expected to get support from remittance inflows in coming days. At 0842 GMT, commercial banks quoted the shilling at 153.50/70 per dollar, compared with Friday's closing rate of 153.70/90. Trade volumes were thin before the Christmas holiday.

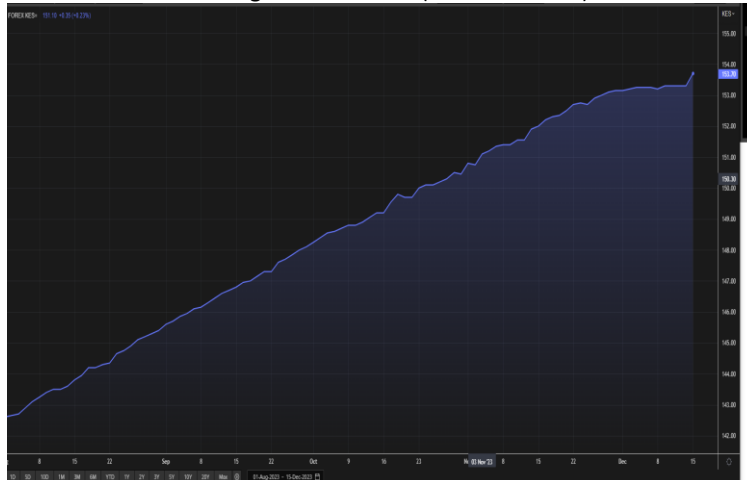
In other local news Kenyan banks have started increasing the cost of their shilling-denominated loans in the wake of the Central Bank of Kenya's decision to increase its benchmark lending rate to an 11-year high. Several banks have already announced an increase in their base lending rates from 14.50% to 16.50% with others set to follow the move. CBK hiked the base lending rate to 12.5 percent from 10.5 percent —the highest in 11 years— citing the need to arrest the slide of the shilling and keep inflation in check. The move signalled banks to increase their lending rates, with several institutions preferring to re-price the cost of new loans rather than existing credit facilities. Higher interest rates signal tougher times ahead for businesses and consumers who are grappling with an overall rise in the cost of living. (*Business daily*)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	149.90	164.90	149.90	164.40
GBP/KES	190.89	203.89	190.09	24.79
EUR/KES	163.27	177.17	163.57	180.07
AED/KES	37.90	50.90	39.90	51.40

(Amounts > 10 million KES)		Amounts >100,000 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 August 2023 – Date (Source: Reuters)



INTERNATIONAL NEWS

The Japanese yen fell sharply on Tuesday after the Bank of Japan maintained its ultra-dovish stance and offered no cues on a planned pivot, while broader Asian currencies were muted as a post-Federal Reserve rally cooled. Resilience in the dollar also weighed on regional units, as some Fed officials downplayed enthusiasm that interest rate cuts by the central bank were imminent. The yen was the worst performer in Asia for the day, down 0.6% after the BOJ held interest rates at negative levels and offered no cues on when it planned to begin tightening policy. Still, the central bank warned that Japanese inflation was likely to remain sticky in the coming months- a trend that could see the bank come under increased pressure to tighten policy. The dollar index and dollar index futures both traded flat in Asian trade on Tuesday, but had marked a strong rebound from four-month lows in the past two sessions. A slew of Fed officials said that while the bank will trim rates in 2024, bets on an imminent pivot were unfounded.

In the commodities markets, Oil prices were mixed on Tuesday, with the U.S. benchmark dipping while Brent extended gains from the previous session, as attacks by Yemen's Iran-aligned Houthi militants on ships in the Red Sea disrupted maritime trade and forced companies to reroute vessels. Brent crude futures rose 10 cents, or 0.13%, to \$78.05 a barrel at 0330 GMT. The front-month U.S. West Texas Intermediate crude futures contract, which expires on Tuesday, fell 7 cents to \$72.40 a barrel. The more active second-month contract was down 5 cents, or 0.07%, to \$72.77. Both benchmarks rose more than 1% on Monday on concerns about shippers diverting vessels away from the Red Sea.

Gold prices fell slightly on Tuesday after several Federal Reserve officials downplayed expectations that a dovish pivot by the central bank was imminent, which helped stem recent losses in the dollar. The yellow metal still held above the coveted \$2,000 an ounce level, but edged towards the low-\$2,000s following less dovish signals on U.S. monetary policy. Resilience in the dollar- which rebounded sharply from four-month lows this week- also weighed on gold prices. Spot gold fell 0.1% to \$2,024.67 an ounce, while gold futures expiring February fell 0.1% to \$2,038.20 an ounce by 00:35 ET (05:35 GMT) (Reuters)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0725	1.1125
GBP/USD	1.2458	1.2890
USD/ZAR	17.0099	21.0075
USD/AED	3.6518	3.6927
USD/JPY	140.55	143.95

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