



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

**TREASURY MARKET UPDATE 20<sup>TH</sup> DECEMBER 2023**

**DOMESTIC NEWS**

Kenya's shilling held steady on Tuesday and traders said it was expected to gain ground, helped by some dollar inflows into the market. At 0757 GMT, commercial banks quoted the shilling at 153.80/154.00 per dollar, the same as Monday's closing rate. Kenya gets most of its hard currency from remittances sent by its citizens abroad, agricultural exports and non-governmental organizations.

In other local news The Central Bank of Kenya faces a test of its resolve to keep a lid on the cost of government borrowing in the ongoing sale of the Sh35 billion January 2024 Treasury bond, which is the first to be floated since the regulator raised the base lending rate by two percentage points.

The CBK has split the sale into two tranches, comprising a new three-year bond and the third re-opening of a five-year bond first sold in July.

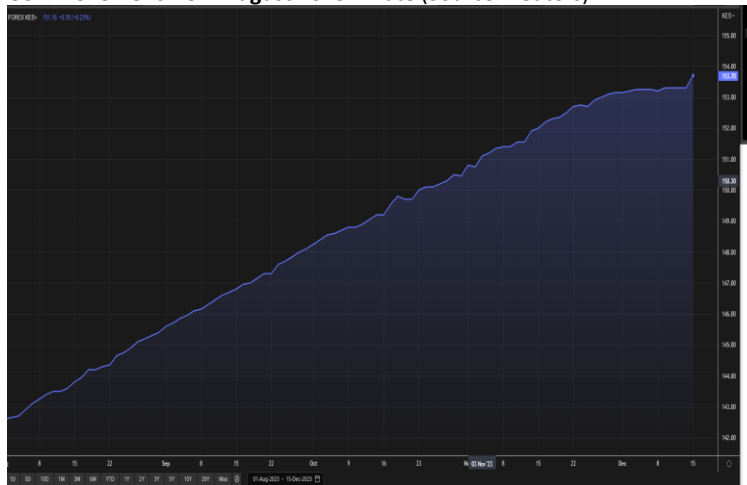
The interest rate on the three-year paper will be market-determined. On the five-year paper, the coupon in its original sale was 16.84 percent, but two subsequent re-openings in August and October saw rates go up to 17.95 percent and 17.99 percent respectively. *(Business daily)*

**Indicative Forex Rates**

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	150.10	165.10	150.10	164.60
GBP/KES	192.04	205.04	191.24	205.94
EUR/KES	164.07	177.97	164.37	180.87
AED/KES	37.96	50.96	39.96	51.46

(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**

Most Asian currencies steadied from recent gains on Wednesday, while the dollar remained pinned near four-month lows as traders largely stuck to bets that the Federal Reserve will begin trimming interest rates in early 2024. Traders also largely looked past warnings from Fed officials that enthusiasm over early rate cuts was overplayed, with a sustained decline in the dollar and Treasury yields pointing to growing conviction that rates could begin falling by as soon as March 2024.

Fed Fund futures prices show traders pricing in an over 67% chance for a 25-basis point cut in March 2024. The central bank is also expected to trim rates further in April and May. The dollar index and dollar index futures steadied, and were close to their weakest levels since early-August. Lower U.S. rates lessen the dollar's appeal, and push investors into higher-yielding, risk-driven assets. But Fed officials warned that this trade remains at risk, especially if inflation remains sticky and necessitates a higher-for-longer stance on rates from the Fed.

In the commodities market, Gold prices steadied on Wednesday, sticking to a trading range established over the past week amid persistent bets that the Federal Reserve will trim interest rates earlier in 2024. The yellow metal appeared to have established a trading range of low-\$2,000 to \$2,050 an ounce, amid growing optimism over lower interest rates in the coming year. But increased risk appetite saw capital flows into gold remain limited, as traders piled into higher-yielding assets. Still, gold prices remained above the coveted \$2,000 level, with this week's gains also putting them closer to record highs of near \$2,150 an ounce. Spot gold was flat at \$2,040.03 an ounce, while gold futures expiring February rose 0.1% to \$2,053.05 an ounce by 00:25 ET (05:25 GMT). Both instruments saw strong gains on Tuesday, as the dollar sank to four-month lows and Treasury yields fell below key levels.

On the other hand, Oil was little changed on Wednesday as investors kept an eye on the situation in the Red Sea after the recent attacks by Iran-aligned Yemeni Houthi militants.

Brent crude futures dipped 8 cents, or 0.1%, to \$79.15 a barrel by 0507 GMT, while U.S. West Texas Intermediate crude was unchanged at \$73.94 a barrel. The benchmarks rose more than 1% on Tuesday amid jitters over global trade disruption and geopolitical tensions in the Middle East, following Houthi attacks on ships in the Red Sea. *(Reuters)*

**Indicative Cross Rates**

	Bid	Offer
EUR/USD	1.0755	1.1155
GBP/USD	1.2525	1.2930
USD/ZAR	17.0250	21.0125
USD/AED	3.6518	3.6927
USD/JPY	141.45	145.95

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