



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 22ND DECEMBER 2023

DOMESTIC NEWS

Kenya's shilling KES= is expected to fall, undermined by low dollar inflows and increased demand from the energy sector. Commercial banks quoted the shilling at 154.00/20 per U.S. dollar, compared with last Thursday's closing rate of 153.40/60.

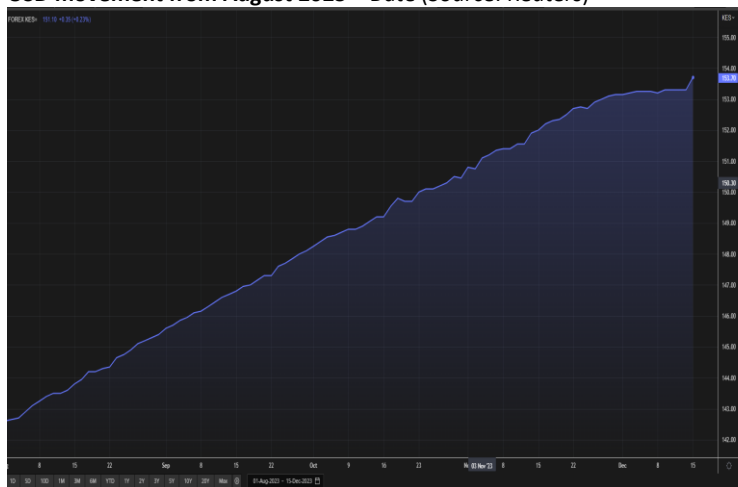
In other local news the government will once again attempt to raise commercial banks' core capital requirements from the current minimum of Sh1 billion in what is likely to trigger another wave of mergers and acquisitions of smaller lenders. This is part of the changes aimed at strengthening the banking sector, with the Central Bank of Kenya (CBK), the banking sector regulator, also planning to be reviewing the licensing fees for commercial banks and mortgage financiers. In the 2024 draft Budget Policy Statement (BPS) the National Treasury said the review of the minimum capital level is aimed at strengthening the banks and increasing their capacity to finance large projects. The core capital is aimed at reducing the risk of a bank failure, with institutions holding more of this buffer seen as less susceptible to collapsing. (Business daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	150.70	165.70	150.70	165.20
GBP/KES	192.24	205.24	191.44	206.44
EUR/KES	165.25	179.15	165.55	182.05
AED/KES	38.12	51.12	40.12	51.62

	(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 August 2023 – Date (Source: Reuters)



INTERNATIONAL NEWS

The dollar hit a one-week low against a basket of major currencies on Thursday as U.S. equities rebounded from the prior day's sell-off and investors braced for Friday's U.S. inflation data for clues to the path of future Federal Reserve policy. Data earlier Thursday showed gross domestic product increased at a 4.9% annualized rate last quarter, revised down from the previously reported 5.2%. The consumer spending element of third-quarter GDP was revised downward to 3.1% from 3.6% in the previous estimate. The Fed held interest rates steady last week and policymakers signaled in new economic projections that the historic monetary policy tightening engineered over the last two years is at an end and lower borrowing costs are coming in 2024. A separate report on Thursday showed the number of Americans filing new claims for unemployment benefits rose just marginally last week, suggesting underlying strength in the economy as the year winds down. The dollar index, which tracks the U.S. currency against six peers, was last down 0.596% at 101.8. It hit its lowest level in a week.

Against the Yen, the dollar fell 0.93%. Japan's government on Thursday slightly raised its economic growth projections for this fiscal year from its previous estimates. The yen is down roughly 8% against the dollar for the year as the Bank of Japan has steadfastly kept short-term rates negative, against 300 basis points of U.S. interest rate hikes. Sterling on the other hand was up 0.4% at \$1.2689 against the dollar on Thursday, a day after suffering its sharpest drop in two months on news that British inflation dived below forecasts to an annual 3.9% in October, a two-year low. Traders priced in Bank of England rate cuts as soon as May.

In the commodities markets, Oil prices rose as much as 1% on Friday as tensions persisted in the Middle East following Houthi attacks on ships in the Red Sea, although Angola's decision to leave OPEC raised questions over the group's effectiveness in supporting prices.

Brent crude futures were up 86 cents, or 1.1%, to \$80.25 a barrel by 0409 GMT, while U.S. West Texas Intermediate crude futures were up 81 cents, or 1.1%, at \$74.70 a barrel. Both the contracts are also up over 4% for a second consecutive week, as concern over shipping in the Red Sea buoyed prices.

Spot gold rose 0.2% to \$2,049.20 an ounce, while gold futures expiring February rose 0.5% to \$2,060.65 an ounce by 00:16 ET (05:16 GMT). Both instruments were at over two-week highs and were also set for an over 1% gain this week. (Reuters)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0796	1.1195
GBP/USD	1.2485	1.2890
USD/ZAR	16.0235	20.0145
USD/AED	3.6521	3.6925
USD/JPY	141.33	145.25

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.