



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 27<sup>TH</sup> DECEMBER 2023

### DOMESTIC NEWS

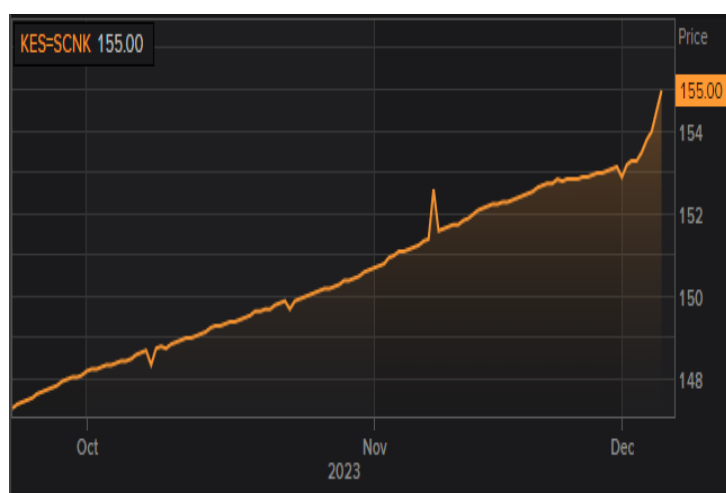
The Kenyan shilling fell on Friday in thin trade before the Christmas holidays. Commercial banks quoted the shilling at 156.00/157.00 to the U.S. dollar, down about 0.5% on its previous close and setting a new all-time low (Refinitiv)

In other news, The Treasury is eyeing a return to the external commercial debt market in the 2024/2025 fiscal year, betting on easing financing conditions once the US starts cutting its base lending rate. In the Draft 2024 Budget Policy Statement, the government says it expects to raise Sh151 billion from a sovereign bond or other commercial financing in the year starting July 2024, which is just under half of the Sh326.2 billion it is targeting in net foreign financing for the budget deficit. In the current fiscal year, the stated target for commercial loans is Sh175.1 billion, but this has proved hard to achieve due to unfriendly financing conditions externally. (Business Daily)

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	151.10	166.10	151.10	165.60
GBP/KES	193.45	206.45	192.65	207.35
EUR/KES	166.36	180.26	166.66	183.16
AED/KES	38.23	51.23	40.23	51.73

	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 Oct 2023 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The dollar index fell on Tuesday as investors waited on fresh clues to when the Federal Reserve is likely to begin cutting interest rates as inflation falls closer to the U.S. central bank's 2% annual target. Volumes were muted the day after Christmas, however, as markets in the UK, Australia, New Zealand and Hong Kong, among others, were still out for a public holiday. Many traders globally are also out for holidays until the New Year. The greenback is on track to post its worst performance since 2020 against a basket of currencies as anticipation of Fed rate cuts dents the appeal of the U.S. currency relative to peers. Many analysts expect the U.S. economy to markedly slow in 2024, but the Fed is also expected to act to ensure that the gap between the fed funds rate and realized inflation doesn't widen too far. If inflation falls much faster than the Fed's benchmark rate it can tighten monetary conditions more than Fed policymakers intend and increase the risk of a hard economic landing.

On the other hand, GBP/USD was last seen trading a few pips above 1.2700. In case the pair confirms that level as support, technical buyers could show interest. In this scenario, 1.2750 (static level) and 1.2790-1.2800 (mid-point of the ascending channel, psychological level) could be seen as the next resistances. EURUSD was up 0.20% at \$1.1045, the highest since Aug. 10. The dollar gained 0.06% against the yen to 142.47. The Australian dollar rose 0.2% on Wednesday and was set to rise 0.2% in 2023. Focus was also on a Reserve Bank of Australia meeting next week, with the bank widely expected to keep rates on hold.

In the commodities markets, Oil prices were little changed on Wednesday as investors monitored Red Sea developments, with some major shippers resuming passage through the area despite continued attacks and broader Middle East tensions. Brent crude futures dipped 5 cents, or 0.1%, at \$81.02 a barrel by 0415 GMT, while U.S. West Texas Intermediate crude edged down 12 cents, or 0.2%, at \$75.45 a barrel.

On the other hand, Gold prices rose in low-volume Asian trade on Tuesday, breaking out of a trading range seen through most of December as soft U.S. inflation data fueled more bets on early interest rate cuts in 2024. Spot gold rose 0.5% to \$2,064.16 an ounce, while gold futures expiring in February rose 0.3% to \$2,075.10 an ounce. (Reuters)

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0392	1.0795
GBP/USD	1.1925	1.2335
USD/ZAR	16.5075	20.6075
USD/AED	3.6526	3.6936
USD/JPY	148.20	152.25