



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 02ND JANUARY 2024

### DOMESTIC NEWS

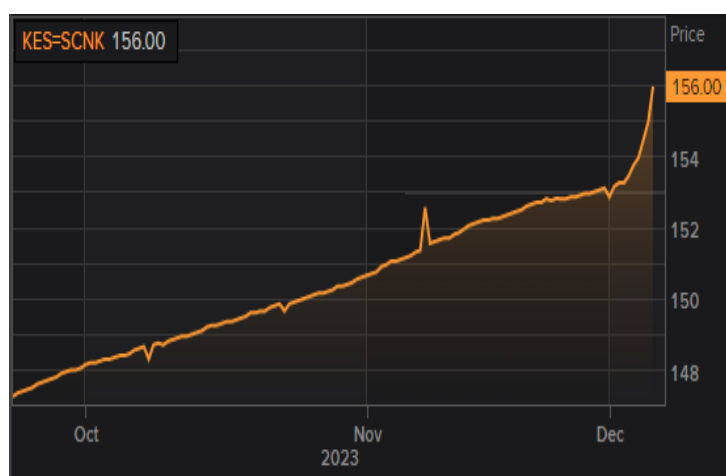
The Kenyan shilling traded the same on Friday due to many companies still closed for the holidays. Commercial banks quoted the shilling at 156.00/157.00 to the U.S. dollar. (Refinitiv)

In other news, Kenya's trade deficit narrowed by 12.5 percent in the third quarter to September compared to the similar quarter in 2022 after the country's export earnings rose sharply. Data released by the Kenya National Bureau of Statistics (KNBS) shows Kenya's trade deficit declined to Sh379.2 billion during the quarter from Sh433.8 billion in the third quarter of 2022. It is also a significant drop from a negative trade balance of Sh397.8 billion recorded during the April-June quarter. A narrowing trade deficit indicates that the country's capacity to create jobs and support currency has increased. The narrower trade deficit comes after total exports grew by 19.6 percent while imports declined by 1.6 percent compared to 2022. (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	193.32	206.32	192.52	207.22
EUR/KES	166.11	180.01	166.41	182.91
AED/KES	38.23	51.23	40.23	51.73

	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 Oct 2023 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The dollar edger higher on Friday but is set to end 2023 with its first yearly loss since 2020 against the euro and a basket of currencies, on expectations the U.S. Federal Reserve will begin cutting rates next year as inflation moderates. Questions for 2024 will be when the Fed begins cuts, and whether the first rate reduction is made to avoid over-tightening as inflation drops, or due to slowing U.S. economic growth. With markets already pricing in aggressive cuts, debate is also focused on how much further the dollar is likely to fall. The dollar's decline accelerated after the Fed adopted an unexpectedly dovish tone and forecast 75 basis points in rate reductions for 2024 at its December policy meeting. The Fed's tone contrasted with other major central banks, including the European Central Bank (ECB) and Bank of England (BoE), which maintained they will hold rates higher for longer.

On the other hand, GBP/USD pair posts modest losses during the early Asian session on Tuesday. The modest rebound in the US Dollar lends some support to the major pair. GBP/USD is trading near 1.2725, down 0.04% for the day. EUR/USD dipped 0.19% to \$1.1040, hovering just below a five-month peak of \$1.11395 reached on Thursday. It is heading for a 3.04% gain for the year, its first positive year since 2020. The USD/JPY is expected to post an annual 7.56% Japanese currency stays under pressure from the Bank of Japan's (BOJ) ultra-loose monetary policy stance. Market expectations are for the BOJ to exit negative interest rates in 2024, though the central bank continues to stand by its dovish line and has provided little clues on if, and how, such a scenario could play out.

In the commodities markets, Gold prices rose on Tuesday after seeing strong gains in the last few trading days of 2023, as traders cheered the prospect of early interest rate cuts by the Federal Reserve in 2024. Spot gold rose 0.3% to \$2,069.89 an ounce, while gold futures expiring in February rose 0.3% to \$2,078.90 an ounce. Copper futures expiring March rose 0.2% to \$3.8973 a pound, after rising some 2.1% in 2023.

On the other hand, Oil prices jumped 1.5% in the first session of the New Year, due to potential supply disruptions in the Middle East after a naval clash in the Red Sea, and hopes of strong holiday demand and an economic stimulus in China, the top crude importer. Brent crude rose \$1.20, or 1.5%, to \$78.24 a barrel by 0438 GMT while U.S. West Texas Intermediate crude was at \$72.66 a barrel, up \$1, or 1.4%. (Reuters)

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0830	1.1233
GBP/USD	1.2530	1.2934
USD/ZAR	16.2889	20.3032
USD/AED	3.6522	3.6932
USD/JPY	139.38	143.40

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.