



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 16TH JANUARY 2024

DOMESTIC NEWS

The Kenya shilling has hit a historic low against the dollar, breaching the Sh160.23 mark on Monday and extending a run of record weakening. Commercial banks quoted the shilling at 159.50/160.50 per U.S. dollar, compared with Friday's close of 159.00/160.00. (Reuters).

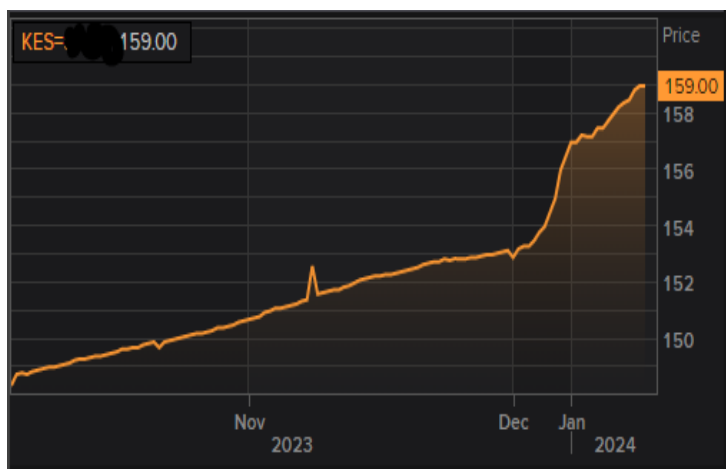
The depreciation comes despite the Central Bank of Kenya (CBK) raising interest rates in December to counter weakness in the local currency. Last month, the CBK surprised the market as it unexpectedly raised interest rates by 200 basis points/ two percent, lifting the Central Bank Rate to 12.5 percent from 10.5 percent. In its decision, the CBK Monetary Policy Committee-MPC noted that the exchange rate depreciation had continued to exert pressure on domestic prices. According to CBK Governor Dr Kamau Thugge, the shilling had overshot its desired level of depreciation following interventions to reset the foreign exchange market after what the apex bank alleged to have been the overvaluation of the local currency.

(Reuters)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	156.00	171.00	156.00	170.50
GBP/KES	198.91	211.91	198.11	212.81
EUR/KES	169.76	183.66	170.06	186.56
AED/KES	39.56	52.56	41.56	53.06

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

Most Asian currencies retreated on Tuesday, while the dollar advanced as traders remained largely risk-averse before more cues on when the Federal Reserve could begin cutting interest rates. Anticipation of key economic readings from China also kept regional markets on edge, while fears of an escalation in the Middle East conflict kept risk appetite dull. The Japanese yen fell 0.2% and crossed the 146 level to the dollar. Data on Tuesday that showed producer price index inflation remained soft in December, coming just a few days before consumer price index data, which is also expected to show inflation remaining languid. Softer inflation gives the Bank of Japan less impetus to begin tightening its ultra-dovish policy, which bodes poorly for the yen.

On the other hand, the dollar was little changed on Monday in cautious during a U.S. public holiday, while risk-sensitive sterling slid ahead of a busy week for UK economic data. Sterling slipped 0.27% to \$1.2717, though it remained close to a two-week peak hit last week. The euro hovered near the \$1.10 mark and was last 0.08% lower on the day at \$1.0941. The dollar index, measuring the U.S. currency against six peers, was up 0.13% at 102.64, on the Martin Luther King (MLK) Day holiday.

In the commodities markets, gold prices fell slightly on Tuesday after a strong run-up in recent sessions, while a rebound in the dollar also pressured prices ahead of more upcoming economic data and signals from the Federal Reserve. The yellow metal benefited from increased safe-haven demand in recent sessions, amid an escalation in military action in the Middle East. A softer dollar also benefited bullion prices. But the dollar rebounded on Tuesday, as markets hunkered down before addresses from Fed officials this week, which are expected to offer more cues on when the central bank will begin trimming interest rates this year. Spot gold fell 0.3% to \$2,049.41 an ounce, while gold futures expiring in February fell 0.3% to \$2,052.90 an ounce by 23:35 ET (04:35 GMT).

On the other hand, Oil prices were mixed on Tuesday, after losses in the previous session, as markets weighed broad economic concerns against weather-related U.S. demand-supply issues and continued tensions in the Middle East that led to more tanker diversions. Brent crude futures rose 5 cents, or about 0.06%, to \$78.20 a barrel at 0334 GMT. The contract had earlier settled 14 cents lower on Monday. U.S. West Texas Intermediate crude was down 20 cents, or 0.28%, at \$72.48 per barrel after a U.S. public holiday on Monday.

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0715	1.1120
GBP/USD	1.2478	1.2884
USD/ZAR	16.7788	20.7811
USD/AED	3.6524	3.6934
USD/JPY	144.19	148.19