



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 23RD FEBRUARY 2024

DOMESTIC NEWS

Kenya's shilling held steady against the dollar on Thursday and traders said it was expected to gain ground due to hard currency inflows from tea exports. Commercial banks quoted the shilling at 145.50/146.50 per dollar, the same as Wednesday's closing rate. (Reuters).

Kenya still faces a significant risk of debt distress despite a Sh218.53 billion (\$1.5 billion) new Eurobond issue that helped to calm foreign investor jitters over the possibility of the country defaulting on the repayment of its debut \$2 billion (Sh291.38billion) Eurobond that is maturing in June. The Parliamentary Budget Office (PBO) said the economy is still in danger of a liquidity crisis with its key debt sustainability indicators, including debt service-to-revenue ratio and debt-to-gross domestic product (GDP) ratio headed south. Kenya's public debt increased by Sh1.93 trillion to Sh11.14 trillion last year from Sh9.2 trillion in 2022. The total debt service amounts stand at 58.8 percent of revenues, leaving only 41.2 percent of tax revenue to finance government development programmes. The ratio of debt as a share of GDP, in nominal terms, has risen from 65.8 percent in 2019/2020 fiscal year to 71.8 percent in June 2023. The PBO says the persistent revenue shortfall and increased cost of funding could undermine the country's implementation of key government projects. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	141.50	151.50	141.50	151.50
GBP/KES	181.55	194.55	180.75	195.45
EUR/KES	153.70	167.60	154.00	170.50
AED/KES	35.89	48.89	37.89	49.39

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 Nov 2023 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar index dipped on Thursday but came off a three-week low as investors waited on new data catalysts for clues on when the U.S. Federal Reserve is likely to begin cutting interest rates. The greenback has bounced this year as strong growth and sticky inflation lead traders to push back expectations on when the U.S. central bank will begin easing. But after hitting a three-month high last week, the U.S. currency has been largely consolidating. The dollar index was last down 0.03% at 103.95. It fell to 103.43 earlier on Thursday, the lowest since Feb. 2, and is holding below the 104.97 level reached on Feb. 14, which was the highest since Nov. 14.

On the other hand, GBP/USD traded 0.5% higher at 1.2701, with U.K. PMI data expected to show strong expansion in the country's dominant services sector. Sterling gained 0.17% to \$1.2656 after data from a British business activity survey came in stronger than expected and showed robust growth for services firms. EUR/USD rose 0.5% to 1.0869, the highest point since Feb. 2. The downturn in euro zone business activity eased in February, suggesting signs of recovery, according to a survey on Thursday.

In the commodities markets, gold prices moved little in Asian trade on Friday and remained well within a recently established trading range amid increasing conviction that the Federal Reserve will not cut interest rates early in 2024. While the yellow metal was headed for some gains this week, they were largely a recovery from steep losses seen in the last two weeks. Concerns over higher-for-longer interest rates continued to limit any major upside in gold prices, as did relative strength in the dollar and Treasury yields. Spot gold rose 0.1% to \$2,025.80 an ounce, while gold futures expiring in April rose 0.2% to \$2,035.15 an ounce. Both instruments were set to add about 0.7% this week after losing as much as 4% in the past two weeks. Bullion prices also remained squarely within the \$2,000 to \$2,050 an ounce trading range seen for most of 2024 so far.

On the other hand, Oil prices fell on Friday after a U.S. Fed official on Thursday said interest rate cuts should be delayed at least two more months to see if a recent uptick in inflation signals stalling progress toward price stability or is just a bump in the road. Brent crude futures were down 25 cents, or 0.3%, at \$83.42 a barrel, while U.S. West Texas Intermediate crude futures were 25 cents, or 0.3%, lower at \$78.36. Higher interest rates for longer slow economic growth, which curbs oil demand. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0627	1.1029
GBP/USD	1.2461	1.2865
USD/ZAR	17.1523	21.1771
USD/AED	3.6529	3.6931
USD/JPY	148.63	152.65

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