



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 23RD MAY 2024

DOMESTIC NEWS

The Kenyan shilling weakened slightly against the dollar on Wednesday, LSEG data showed. The currency has been under pressure this week from elevated hard-currency demand from importers of fuel and manufacturers, and from banks covering short positions. The shilling was quoted at 131.50/132.50 per U.S. dollar, compared to 131.00/132.00 at the end of Tuesday's session. (Reuters)

Wealthy Kenyans, traders, and businesses took a Sh98.9 billion hit as the value of foreign currency deposits plunged from the recent strengthening of the shilling. Foreign currency deposits, expressed in local currency terms, saw their largest month-on-month drop in more than five years in February, dipping to Sh1.502 trillion from a peak of Sh1.601 trillion in January, according to data from the Central Bank of Kenya (CBK). The 6.1 percent drop in the mostly US dollar deposits coincided with a 10.6 percent gain for the shilling, which moved from Sh160.67 against the green back to Sh143.51 in the same period. This implies that the drop in foreign currency deposits is largely a factor of a stronger local currency than an absolute drop in the nominal hard currency holdings by the banks. Foreign currency deposits, expressed in local currency terms, for instance, rose from Sh945.2 billion to Sh1.54 trillion between January and December 2023. Expressed in US dollar terms, the deposits remained on the ascendance, rising to \$10.17 million in the quarter to December from \$8.98 million in the quarter to the end of 2022. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	127.00	137.00	127.00	137.00
GBP/KES	163.98	176.98	163.18	177.88
EUR/KES	138.02	151.92	138.32	154.82
AED/KES	31.94	44.94	33.94	45.44

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 March 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar traded calmly Wednesday ahead of the release of the minutes from the last Federal Reserve meeting, while sterling gained as inflation fell by less than expected in April. The Dollar Index, which tracks the greenback against a basket of six other currencies, traded marginally higher at 104.600. The dollar is struggling to move in any meaningful fashion as traders await the release of the minutes from the last Fed meeting, searching for more cues on the likely path of U.S. interest rates towards the end of the year. Last week's soft-than-expected consumer inflation data raised hopes of rate cuts in a reasonably short time, but a series of Fed officials have continued to call for policy caution. Fed Governor Christopher Waller on Tuesday said recent economic data indicates the Fed's restrictive policy is working as directed, while Atlanta Fed Chair Raphael Bostic said the central bank needs to exercise caution ahead of its first rate cut to lead to pent-up spending and send inflation "bouncing around."

On the other hand, In Europe, GBP/USD rose 0.2% to 1.2733, after U.K. inflation fell by less than expected in April, making a cut by the Bank of England next month less likely. EUR/USD traded 0.1% lower to 1.0849, as traders' position for the European Central Bank to start its rate-cutting cycle next month. USD/JPY fell 0.2% to 156.43, after soft trade Japanese data—which showed disappointing exports and imports for April, as well as a bigger-than-expected trade deficit—weighed on the yen.

In the commodities markets, gold prices saw extended losses in Asian trade on Thursday, pulling back further from record highs as renewed concerns over high interest rates and waning safe haven demand battered the yellow metal. Spot gold fell 0.3 to \$2,372.38 an ounce, while gold futures expiring in June fell 0.8 to \$2,375.15 an ounce. Spot prices were now well below a record high of \$2,450 an ounce hit at the beginning of the week.

On the other hand, Oil prices eased for a fourth straight session on Thursday after the minutes of a U.S. Federal Reserve meeting revealed discussions of a further tightening of interest rates if inflation remained sticky, a move that could hurt oil demand. Brent crude futures fell 46 cents, or 0.6%, to \$81.44 a barrel. U.S. West Texas Intermediate crude (WTI) futures were down 54 cents, or 0.7%, at \$77.03. Both benchmarks fell more than 1% on Wednesday. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0626	1.1030
GBP/USD	1.2525	1.2930
USD/ZAR	16.3065	20.3222
USD/AED	3.6524	3.6934
USD/JPY	154.72	158.77

For more details, contact our Treasury staff Mary, John, Alice & Joseph on Tel +254 20 5131311, DL +254 20 513 1354/55/51/52, Cell +254 709913351/52/54/55. 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.