



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 06TH JUNE 2024

DOMESTIC NEWS

The Kenyan shilling has stabilized against the dollar after the government successfully raised \$1.5 billion from international markets in February to partially buy back another bond that is maturing in June.

Kenya's central bank held its benchmark lending rate at 13.0% on Wednesday, saying that inflation was stable within its near-term target range, and it aimed to keep exchange rate stability. It is the second time the bank has held its rate, after leaving it unchanged in April. The bank hiked rates in December and February to stabilize the exchange rate and help bring stubborn inflation under control. In August, the bank introduced a new interest rate corridor to help guide short-term market interest rates towards the central bank policy rate. It had set the rate at plus or minus 250 basis points around the policy rate. On Wednesday, the bank said it had also adjusted the discount window rate to 300 basis points above the central bank rate from 400 basis points previously. The discount window rate is what it charges commercial banks who borrow from the regulator as a last resort. Inflation, which had remained on the higher side of the government's preferred band of 2.5-7.5% for months, rose slightly to 5.1% in May from 5.0% a month earlier. Official statistics show Kenya's economy grew 5.6% in 2023 from 4.9% the previous year. The central bank said it expects robust economic performance in 2024, despite the effects of widespread flooding earlier in the year. (Reuters).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	125.50	135.50	125.50	135.50
GBP/KES	162.97	175.97	162.17	176.87
EUR/KES	137.18	151.08	137.48	153.98
AED/KES	31.53	44.53	33.53	45.03

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 Feb 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

Most Asian currencies firmed on Thursday, tracking weakness in the dollar as soft labor data continued to trickle in, ramping up bets that the Federal Reserve will begin cutting rates in the coming months. The greenback hovered just above a two-month low and remained on the backfoot as expectations of rate cuts drove traders into more risk-driven assets. U.S. Treasury yields also retreated. The dollar index and dollar index futures both fell about 0.2% in Asian trade, remaining close to their weakest levels since early-April. The greenback saw renewed weakness on Wednesday after soft ADP employment data pointed to further cooling in the labor market. The reading came after a soft job opening print and set the stage for a soft nonfarm payroll reading on Friday.

On the other hand, EUR/USD traded 0.1% lower to 1.0873, even after data showed that eurozone business activity expanded at its quickest rate in a year in May. GBP/USD rose 0.1% to 1.2776, after the U.K. May composite PMI came in at 53.0, a small drop from the 54.1 seen the prior month, but still above the critical 50 mark. In Asia, USD/JPY traded 0.8% higher to 156.10, with the yen falling despite average Japanese cash earnings grew 2.1% in April, as did overall wage income of employees, with both indicators reflecting the increased wages won by major Japanese labor unions earlier this year.

In the commodities markets, gold prices rose in Asian trade on Thursday, extending gains this week as weak economic data fueled expectations of interest rate cuts by the Federal Reserve, denting the dollar. The yellow metal was sitting on strong gains this week as traders steadily priced in bets that the Fed will begin cutting rates in September. A rate cut by the Bank of Canada and anticipation of a widely expected cut by the European Central Bank also boosted optimism over loosening monetary conditions across the globe. This saw the yellow metal advance even as broader risk appetite improved. Spot gold rose 0.6% to \$2,370.40 an ounce, while gold futures expiring in August fell 0.6% to \$2,389.70 an ounce.

On the other hand, oil extended gains from the previous session on Thursday amid growing expectations the Federal Reserve will cut interest rates in September, though prices were capped on the back of higher U.S. inventories and an OPEC+ plan to increase supply. Brent crude futures rose 31 cents, or 0.40%, to \$78.72 a barrel, while U.S. West Texas Intermediate crude futures climbed 41 cents, or 0.55%, to \$74.48. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0686	1.1087
GBP/USD	1.2594	1.2995
USD/ZAR	16.8931	20.9160
USD/AED	3.6526	3.6936
USD/JPY	153.86	157.88

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.