



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 12TH AUGUST 2024

DOMESTIC NEWS

Kenya's shilling weakened slightly on Friday against the U.S. dollar, driven by increased demand from the manufacturing sector, but was partially offset by commercial banks offloading their long dollar positions. Commercial banks quoted the shilling at 129.00/130.00, compared with Thursday's closing rate of 128.75/129.75. (Reuters).

Lending to the private sector by commercial banks grew by four percent in the year to June 2024 compared to 13.9 percent at the beginning of the year, the slowest pace in five years, hurt by the effect of a stronger shilling on foreign currency loans and reduced borrowing capacity by businesses and households due to higher interest rates. This is the slowest pace that private sector credit has expanded in percentage terms since February 2019 (3.4 percent), when lending to the private sector was still under the constraints of the rate cap. The annual growth to June 2024 translates to an actual increase of about Sh146.1 billion in new loans to hit Sh3.798 trillion in June 2024 from Sh3.652 trillion in June 2023. Growth in private sector credit is one of the key indicators of economic growth, given that bank loans are the primary source of new capital for businesses seeking expansion and therefore creation of employment. The Central Bank of Kenya (CBK) considers credit growth of 12 to 15 percent to be sufficient to support the healthy growth of the economy. CBK Governor Kamau Thugge last week partly attributed the sharp slowdown in credit growth to the contraction in the shilling value of loans denominated in foreign currency following the strengthening of the shilling since March. Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.25	134.25	124.25	134.25
GBP/KES	160.99	173.99	160.19	174.89
EUR/KES	136.23	150.13	136.53	153.03
AED/KES	31.19	44.19	33.19	44.69

	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 May 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar steadied Friday, trading near a one-month high after stronger than U.S. jobless claims allayed fears of a looming recession in the world's largest economy. The Dollar Index, which tracks the greenback against a basket of six other currencies, traded largely unchanged at 103.007, not far from levels seen before Friday's labor market release. Initial claims for state unemployment benefits fell 17,000 to a seasonally adjusted 233,000 for the week ended Aug. 3, data showed on Thursday, the largest drop in about 11 months. This helped allay fears that the U.S. economy was heading for a hard landing and that the Federal Reserve was behind the curve with its decision not to cut rates late last month.

On the other hand, the EUR/USD slipped slightly to 1.0917, having soared as high as 1.1009 for the first time since Jan. 2 at the start of the week. The European Central Bank started cutting interest rates in June, and many expect the policymakers to agree to another reduction in September. GBP/USD rose 0.2% to 1.2768, continuing the 0.5% rally overnight that yanked it back from a more than one-month low. However, it remained on course for small losses this week, which would be a fourth straight week of declines. USD/JPY fell 0.1% to 147.20 but was trading well above lows of around 141.60 hit earlier in the week. The yen's turnabout came as BOJ officials said they would not hike interest rates during market volatility, tempering a hawkish message from the central bank during an end-July meeting.

In the commodities markets, gold prices steadied in Asian trade on Monday, remaining close to record highs as traders awaited more cues on U.S. interest rates from key inflation data due later in the week. The yellow metal logged wild swings last week amid increased volatility in broader financial markets, although it ended the week marginally higher. The yellow metal also benefited from safe haven demand amid concerns over a bigger war in the Middle East, and as Ukraine launched an offensive against Russia. Spot gold rose 0.1% to \$2,433.62 an ounce, while gold futures expiring in December steadied at \$2,472.20 an ounce.

On the other hand, Oil prices rose for a fifth consecutive session on Monday, holding on to last week's more than 3% gains, as U.S. recession fears eased while geopolitical tensions in the Middle East supported prices. Brent crude futures climbed 22 cents, or 0.3%, to \$79.88 a barrel, while U.S. West Texas Intermediate crude futures rose 36 cents, or 0.5%, to \$77.20. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0719	1.1120
GBP/USD	1.2563	1.2970
USD/ZAR	16.3024	20.3181
USD/AED	3.6530	3.6932
USD/JPY	145.13	149.15

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