



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 14<sup>TH</sup> AUGUST 2024

### DOMESTIC NEWS

Kenya's shilling inched higher against the U.S. dollar on Tuesday, lifted by dollar inflows from remittances and offshore investors attracted by an upcoming infrastructure bond auction. Commercial banks quoted the shilling at 128.50/129.50 per dollar, compared with 128.75/129.75 at the close of Monday's session. (Reuters).

The risk assigned to Kenya's sovereign bonds by international investors has increased slightly over two months amid concerns about eroded public finance options due to the collapsed Finance Bill 2024, which had a raft of new and higher taxation measures. Amid little room for expenditure cuts for President William Ruto's administration, yields on Kenya's medium-term bond trading on the London Stock Exchange have increased by 2.02 percent since the successful anti-tax demonstrations, led by the youth. Investors demanded a 11.37 percent return to buy Kenya's seven-year Eurobond maturing in 2027 last Thursday compared with pre-demonstration levels of around 9.35 percent on June 19.

On other local news the value of Kenyan tea purchased by Pakistan increased by 10.6 percent in the six months to June, extending the Asian nation's dominance as the top purchaser of the beverage from the East African country and helping to cancel out reduced sales to other key buyers. Fresh data from the Central Bank of Kenya shows that the value of tea exports to Pakistan hit \$271.86 million (Sh35.06 billion) between January and June, a significant increase from \$245.7 million (Sh31.6 billion) during 2023. (Business Daily).

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.00	134.00	124.00	134.00
GBP/KES	161.89	174.89	161.09	175.79
EUR/KES	136.90	150.80	137.20	153.70
AED/KES	31.12	44.12	33.12	44.62

	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

Most Asian currencies firmed on Wednesday, while the dollar dropped after a soft U.S. producer inflation reading pushed up hopes that similar easing in consumer inflation will spur deeper interest rate cuts. Dollar near 7-mth low on soft PPI data, CPI awaited. The dollar index and dollar index futures weakened slightly in Asian trade, extending steep overnight declines and coming close to an eight-month low hit earlier in August. Losses in the dollar came after the producer price index inflation data read softer than expected for July. But the PPI reading ramped up hopes that a consumer price index inflation reading, which is due later on Wednesday, will also show inflation eased in July- giving the Federal Reserve more impetus to begin trimming rates. Hopes for a rate cut also come amid increasing concerns over a U.S. economic slowdown, which markets bet will invite even more easing from the Fed. Beyond the inflation data, industrial production and retail sales readings are also due this week.

On the other hand, the GBP/USD traded 0.3% higher at 1.2801 after the release of data showing U.K. wage growth, without bonuses, rose 5.4% in June. EUR/USD dropped 0.1% to 1.0922, with the euro slipping slightly after Spanish consumer prices fell 0.5% in July on the month, an annual rise of 2.8%.USD/JPY rose 0.4% to 147.81, with the yen weakening following a Reuters report that Japan's parliament plans to hold a special session on Aug. 23 to discuss the central bank's decision last month to raise interest rates. USD/CNY dropped 0.1% to 7.1704, with industrial production and retail sales data due later this week.

In the commodities markets, Gold prices fell slightly in Asian trade on Wednesday, but remained in sight of a record high as traders positioned for signs of easing consumer inflation after a soft reading on producer inflation. Spot gold fell 0.2% to \$2,461.11 an ounce, while gold futures expiring in December fell 0.3% to \$2,500.40 an ounce. Gold keeps record high in sight as CPI approaches.

On the other hand, Oil prices rose in Asian trade on Wednesday, buoyed by industry data showing a bigger-than-expected draw in U.S. stockpiles, while soft inflation data also fueled hopes of deeper interest rate cuts. Brent oil futures expiring in October rose 0.5% to \$81.09 a barrel, while West Texas Intermediate crude futures rose 0.5% to \$77.21 a barrel. US inventories shrink more than expected-API. (Reuters).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0790	1.1191
GBP/USD	1.2557	1.3061
USD/ZAR	16.1101	20.1198
USD/AED	3.6526	3.6933
USD/JPY	145.01	149.02

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. The rates quoted includes the Banks mark up. DIB Bank Kenya Ltd is regulated by the Central Bank of Kenya.