



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 16TH AUGUST 2024

DOMESTIC NEWS

Kenya's shilling was unchanged against the U.S. dollar on Thursday, despite a slight uptick in foreign exchange demand from fuel traders and manufacturers. Commercial banks quoted the shilling at 128.50/129.50 per dollar, the same level it closed on Wednesday. The shilling has traded relatively evenly recently, shrugging off major protests which forced the government to abandon planned tax hikes and triggered credit rating downgrades. (Reuters).

Commercial banks see renewed pressure on the Kenya shilling against key global currencies, including the US dollar, citing a cash crunch on the government following rejection of the Finance Bill 2024, which expanded the budget deficit and eroded the country's sovereign credit ratings. The Kenya Bankers Association (KBA), the umbrella lobby of the commercial banks, noted that the wider-than-expected fiscal hole will keep domestic interest rates high as investors take advantage of the government's increased cash requirements to demand steeper returns on Treasury securities. The recent credit ratings downgrade by Moody's and Fitch are also expected to exert pressure on Kenya's ability to contract external debt at favorable terms. "Government financing risks going forward, including from the rejection of the Finance Bill 2024 and Moody's downgrade in July 2024, pose significant threats. These risks could exert upward pressure on the exchange rate and necessitate the sustenance of high domestic interest rates," KBA said in a new report on Thursday. (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	162.13	175.13	161.33	176.03
EUR/KES	136.78	150.68	137.08	153.58
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

The U.S. dollar edged higher Thursday, but remained close to seven-month lows after the release of benign inflation data, while sterling rose after solid growth data. The Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.1% higher to 102.452, just above levels last seen in January. The U.S. dollar has been on the backfoot for most of this week, with data released on Wednesday showing the consumer price index rose moderately in July, in line with expectations, and the annual increase in inflation slowed to below 3% for the first time since early 2021. The figures added to cooler-than-expected producer prices earlier in the week, and suggest inflation is on a downward trend which would provide the Federal Reserve with headroom to start cutting interest rates. The next Fed meeting is in September, and is widely expected to cut rates, although debate remains over the size of the initial reduction.

On the other hand, GBP/USD traded 0.2% higher at 1.2845, after data showed Britain's economy grew 0.6% in the second quarter of 2024, building on a rapid 0.7% recovery in the first quarter of the year. The EUR/USD traded marginally lower to 1.1011, but remained near the previous session's high of 1.1047, its highest level this year. The European Central Bank started cutting interest rates in June, and many expect the policymakers to agree to another reduction in September. In Asia, USD/JPY rose 0.1% to 147.43, with the yen steadying after gross domestic product data showed Japan's economy grew more than expected in the second quarter, aided by a rebound in private consumption as Japanese wages grew.

In the commodities markets, gold prices fell slightly in Asian trade on Friday as easing fears of a recession limited safe haven demand, although persistent expectations of interest rate cuts kept the yellow metal close to record highs. Prices were also headed for a mildly positive week, although overall gains were limited by traders pricing in a smaller interest rate cut in September. Spot gold fell 0.1% to \$2,453.02 an ounce, while gold futures expiring in December fell 0.1% to \$2,490.15 an ounce.

On the other hand, Oil prices edged lower in early Asian trading on Friday, but the market's benchmarks were set for a second consecutive weekly gain after upbeat U.S. economic data eased investor worries about a potential recession in the top oil consuming nation. Brent crude futures fell 16 cents, or 0.2%, to \$80.88 per barrel by 0024 GMT. U.S. West Texas Intermediate crude futures fell 23 cents, or 0.3%, to \$77.93 a barrel. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0784	1.1185
GBP/USD	1.2675	1.3082
USD/ZAR	15.9796	19.9853
USD/AED	3.6524	3.6935
USD/JPY	147.03	151.04

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.