



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 27<sup>TH</sup> AUGUST 2024

### DOMESTIC NEWS

The Kenyan shilling was stable on Monday, as market activity was muted despite S&P Global downgrading the country's sovereign credit rating late on Friday. S&P downgraded Kenya's rating deeper into "junk" territory, to 'B-' from 'B,' citing the repeal of the latest year's finance bill, which it said will slow fiscal consolidation. Commercial Banks quoted the shilling at 128.50/129.50 to the U.S. dollar, the same level it closed on Friday. (Reuters).

Manufacturing firms are proposing a government stimulus programme to revive their fortunes in the wake of the majority of them witnessing a drop in sales in an environment of weak demands for goods and elevated cost of borrowing. A Central Bank of Kenya (CBK) survey of CEOs of companies shows 69.2 percent of manufacturing firms reported a fall in sales in the three months ended June 2024 compared with the previous three-month period ended March, forcing 61.5 percent of them to cut production and freeze hiring.

In other local news, the outlook for Kenya's stock market and the shilling has brightened after the US Federal Reserve gave its clearest signal yet of an interest rate cut next month, which would help reverse some of the foreign investor capital outflows to the US. Kenya, like other frontier and emerging markets, has been seeing sustained foreign investor selling in its stock market since the US started raising its rates in March 2020. (Business Daily).

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	123.75	133.75	123.75	133.75
GBP/KES	165.96	178.96	165.16	179.86
EUR/KES	138.93	152.83	139.23	155.73
AED/KES	31.05	44.05	33.05	44.55

	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 June 2024 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The dollar edged higher on Tuesday and major currencies traded sideways as lingering concerns over tensions in the Middle East partially offset investors' optimism for imminent U.S. interest rate cuts. Geopolitical risks kept early currency moves subdued, though fears of an escalating conflict following Israel and Hezbollah's major missile exchange over the weekend petered out. The dollar near its lowest level in over a year, helped by the likelihood of a U.S. rate cut in September after Federal Reserve Chair Jerome Powell more or less nodded to such a move in his Jackson Hole speech on Friday. San Francisco Fed President Mary Daly also said on Monday a quarter-percentage point reduction in borrowing costs next month was likely. Markets have already fully priced in a rate cut next month, and see about 100 basis points worth of easing by the end of the year.

On the other hand, EURUSD and GBPUSD dipped slightly to \$1.1161 and \$1.3182, respectively, though both weren't far from their recent multi-month highs. USDJPY was last 0.2% lower at 144.82 per dollar, giving up some of its safe haven gains from the previous session which saw it rise to a three-week high of 143.45 per dollar. CADUSD was little changed at 1.3487 per U.S. dollar, having scaled a five-month peak overnight as oil prices surged. USDAUD eased 0.05% to \$0.6768, though remained not far from a one-month high of \$0.67985 hit on Friday.

In the commodities markets, Oil prices paused their recent advances, receding on Tuesday after surging more than 7% in the previous three sessions on supply concerns prompted by fears of a wider Middle East conflict and the potential shutdown of Libyan oil fields. Brent crude futures fell 18 cents, or 0.2%, to \$81.25 a barrel, while U.S. West Texas Intermediate crude futures dropped 28 cents, or 0.4%, to \$77.14 a barrel.

On the other hand, Gold prices fell in Asian trade on Tuesday amid some pressure from a rebound in the dollar, although the prospect of lower interest rates and increased safe haven demand kept the yellow metal in sight of recent peaks. Among industrial metals, copper prices saw an extended rebound amid bets that lower interest rates will help spur a demand recovery in the coming months and offset weakening demand in top importer China. Spot gold fell 0.4% to \$2,507.15 an ounce, while gold futures expiring in December fell 0.5% to \$2,542.05 an ounce. Gold keeps record highs in sight amid rate cut bets, safe haven demand. (Reuters).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0966	1.1367
GBP/USD	1.2990	1.3398
USD/ZAR	15.7127	19.7225
USD/AED	3.6525	3.6933
USD/JPY	142.86	146.87

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