



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 09<sup>TH</sup> OCTOBER 2024

### DOMESTIC NEWS

Kenya's shilling was unchanged against the dollar on Tuesday. The shilling traded at 128.50/129.50 to the dollar, the same as Monday's closing rate. (Reuters).

The CBK Monetary Policy Committee yesterday cut the key lending rate by 0.75 percent or 75 basis points from 12.75 percent to 12.0 percent after inflation dropped to its lowest level in over a decade. The cut is expected to trigger a fall in the cost of loans for households and firms who have struggled to service costly credit since the CBK started raising rates in June 2022 amid global economic shocks that saw inflation rise to multi-year highs. It is in line with analysts' forecasts and is expected to stimulate demand for loans that will put money in consumers' pockets and rekindle demand for goods and services in corporate Kenya. This follows the lowering of the benchmark lending rate by 25 basis points in August to 12.75 percent after the committee said there was scope to ease policy gradually, as inflation had fallen below the midpoint of its target range.

In other local news Kenya is making another bid to stop billing for wholesale power in US dollars and euros in an effort to lower electricity prices for homes and ease Kenya Power's foreign exchange losses. Energy consumers in the country often complain of high electricity charges, with some of the costs being attributed to idle capacity charges to compensate independent power producers (IPPs) for electricity generated but ultimately not used and their billing in dollars. (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	164.76	177.76	163.96	178.66
EUR/KES	136.52	150.42	136.82	153.32
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 July 2024 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The dollar held firm on Tuesday, trading water just under last week's seven-week highs as investors assessed the outlook for further U.S. rate cuts, with concerns about the conflict in the Middle East and China's struggling economy lending support. The U.S. data calendar is relatively light this week. Investors will seek trading signals from Wednesday's release of minutes from the Federal Reserve's September meeting, where officials almost unanimously agreed to cut rates by 50 basis points, as well as Thursday's September Consumer Price Index report. The dollar index and dollar index futures moved little in Asian trade, steadying near a seven-week high hit on Monday. Consumer price index inflation data for September is due later this week, and is also likely to factor into the Fed's outlook.

On the other hand, EUR/USD rose 0.2% higher to 1.0995, with the euro helped by the release of stronger than expected German industrial production data, as the August release rose by a larger than expected 2.9% from the previous month. The European Central Bank meets next week, and is expected to ease policy once more having already cut rates twice this year as inflationary pressures have eased. GBP/USD rose 0.2% to 1.3104, moving away from Monday's three-week low of 1.3059 it touched on Monday. USD/JPY fell 0.4% to 147.55, as it recouped some measure of steep gains logged over the past week. USD/CNY rose 0.5% to 7.0506, as trade resumed after a week.

In the commodities markets, Gold prices fell in Asian trade on Wednesday, extending a drop from record highs amid growing bets that the Federal Reserve will cut interest rates at a slower pace in the coming months. A firm dollar also weighed on broader metal markets, as bets on a smaller Fed rate cut drove up U.S. Treasury yields. Spot gold fell 0.2% to \$2,615.90 an ounce, while gold futures expiring in December fell slightly to \$2,634.20 an ounce. Gold eases with Fed, inflation cues on tap.

On the other hand, Oil prices steadied in Asian trading on Wednesday as traders weighed developments in the Middle East conflict against continued bearish expectations for demand. Brent crude futures rose 22 cents, or 0.3%, to \$77.4 a barrel. U.S. West Texas Intermediate futures rose 14 cents to \$73.71 a barrel. Prices had plunged more than 4% in the previous session on a possible Hezbollah-Israeli ceasefire, but markets remain wary of a potential Israeli attack on Iran's oil infrastructure. (Reuters).

#### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0772	1.1173
GBP/USD	1.2891	1.3293
USD/ZAR	15.5472	19.5588
USD/AED	3.6527	3.6934
USD/JPY	146.52	150.54

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