DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 02ND AUGUST 2023

DOMESTIC NEWS

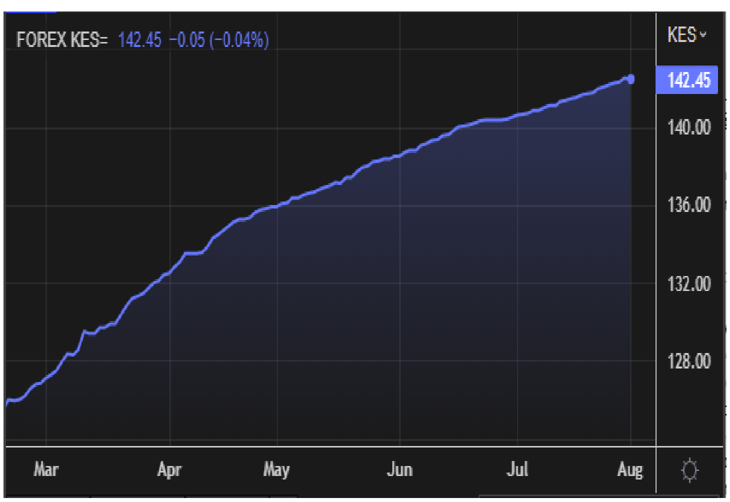
The Kenyan shilling hit a fresh low on Tuesday in thin trading and was expected to ease further due to increased importer demand for dollars. commercial banks quoted the shilling at 142.60/80 to the dollar compared with its closing rate of 142.50/70 on Monday. Its present level is a new all-time low.

The Treasury has floated a two-year bond for the first time in two-and-a-half years as it looks to avoid long-term exposure to high-interest rates while also satisfying the need to fill the budget deficit for the fiscal year. The two-year tenor is one of the shortest that the government can offer for a bond and is normally deployed in times of high-interest rates. The shortest is a one-year paper, last issued in 2012. In the August bond whose sale started on Monday, the Treasury is seeking a total of Sh40 billion from a dual tranche comprising a new two-year paper and a reopened five-year one first sold last month. The coupon rate for the two-year will be market determined while that of five years is at 16.84 percent. (Business daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	138.70	150.20	138.70	149.95
GBP/KES	178.32	190.17	177.52	190.72
EUR/KES	151.97	165.37	152.27	166.77
AED/KES	34.85	47.85	36.85	48.35

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	8.50%	1.50%
1 Month	9.00%	2.50%
3 Months	9.50%	3.25%
6 Months	9.75%	3.50%
1 year	10.00%	4.25%



USD movement from March 2023 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar struggled to make headway on Wednesday after a cut on the U.S. government's top credit rating by Fitch raised questions about the country's fiscal outlook, though it drew some support from a relatively resilient run of economic data. Rating agency Fitch on Tuesday downgraded the United States to AA+ from AAA in a move that drew an angry response from the White House and surprised investors, coming despite the resolution two months ago of the debt ceiling crisis. That nudged the greenback lower, lifting the euro toward $1.10. The single currency was last 0.11% higher at $1.0996, after earlier touching a session-high of $1.1020. The dollar was also underpinned by economic data on Tuesday that showed U.S. job openings remained at levels consistent with tight labour market conditions, even as they fell to the lowest level in more than two years in June.

Elsewhere EUR/USD fell 0.2% to 1.0972 after Spanish manufacturing PMI dropped to 47.8 in July, falling from 48.0 the prior month and indicative of the difficult conditions the eurozone's manufacturing base is struggling with. GBP/USD fell 0.1% to 1.2828 after data showed British house prices fell by the most since 2009 in the 12 months to July, with mortgage lender Nationwide stating the average house price was down 3.8% after a 3.5% annual fall in June, with a fall of 0.2% month-on-month. AUD/USD fell 1% to 0.6652, with the Australian dollar falling sharply after the Reserve Bank of Australia kept key interest rates unchanged at 4.1%, disappointing those who had expected for a 25-basis-point hike with inflation still well above the bank's target range. USD/JPY rose 0.3% to 142.69, with the Japanese yen continuing to retreat, down to a 3-week low.

In the commodities markets, Oil prices surged by almost 1% on Wednesday, trading near their highest since April, as crude and fuel products inventory data showing robust demand from the world's biggest fuel consumer, the U.S., offset demand concerns elsewhere. Brent crude futures for October rose 76 cents, or 0.90%, to $85.67 a barrel.

On the other end Gold prices moved little on Wednesday after losses in the prior session saw futures lose a key bullish level, while strength in the dollar continued to weigh on broader metal prices. Spot gold steadied at $1,949.88 an ounce, while gold futures expiring in December were flat at $1,986.35 an ounce. (Reuters)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0790	1.1192
GBP/USD	1.2571	1.2977
USD/ZAR	16.3288	20.3331
USD/AED	3.6526	3.6936
USD/JPY	140.86	144.88