



DIB Bank Kenya

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TREASURY MARKET UPDATE 02ND JUNE 2023

DOMESTIC NEWS

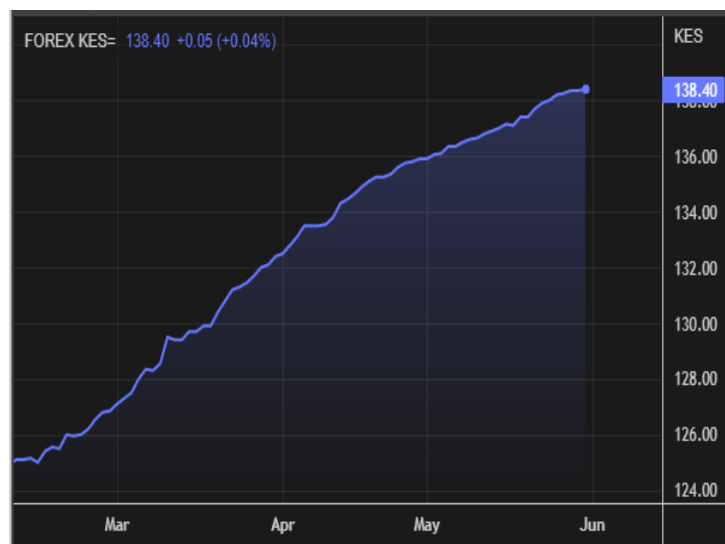
Kenya's shilling weakened on Wednesday, weighed by demand for dollars from general merchandise importers. Commercial banks quoted the shilling at 138.50/70 per dollar, compared with Tuesday's closing rate of 138.40/60.

Rising interest rates on short, ended Treasury bills have set the stage for costlier bank loans with yields on all three papers now standing above 11 percent. Yields on the 91-day paper for instance crossed the threshold in this week's auction, reaching a return of 11.103 percent from 10.832 percent last week. The return on the 182-day and 364-day paper also edged up slightly in the auction to 11.112 percent and 11.497 percent respectively. Commercial banks are expected to take a cue from the rising interest rates on Treasury bills to revise the cost of credit facilities upwards raising their margins from lending. (Business daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	134.60	146.10	134.60	145.85
GBP/KES	169.78	181.63	168.98	182.18
EUR/KES	144.34	157.74	144.64	159.14
AED/KES	33.73	46.73	35.73	47.23

	Amounts > 10 million	Amounts >100,000
	KES	USD
2 Weeks	8.00%	1.50%
1 Month	8.50%	2.50%
3 Months	9.00%	3.25%
6 Months	9.25%	3.50%
1 year	9.50%	4.25%



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

INTERNATIONAL NEWS

The dollar was on track for its worst daily loss in nearly a month on Thursday as U.S. manufacturing data and comments by Federal Reserve officials reinforced expectations the Federal Reserve will likely skip an interest rate hike at its upcoming meeting. The dollar index, which measures the currency against a basket of six peers, fell 0.547% at 103.580, off a two-month high of 104.7 touched on Wednesday as investors trimmed bets the Fed will raise interest rates this month. Fed officials pointed toward a rate hike "skip" at its June 13-14 meeting, giving time for the central bank to assess the impact of its tightening cycle thus far against still-strong inflation data.

Elsewhere EUR/USD fell 0.1% to 1.0680 after German retail sales grew 0.8% on the month in April, an improvement on the 2.4% drop the prior month, but this still represented an annual fall of 4.3%. The focus, however, will be on the May eurozone inflation release later in the session. Figures from a number of individual countries have shown that inflation pressures are easing, and thus there is potential downside to the expected 7.0% annual figure for May. GBP/USD edged lower to 1.2439 after data from Nationwide building society indicated that housing prices fell once more in May, falling 3.4% on an annual basis. AUD/USD rose 0.1% to 0.6506, helped by the better-than-expected private Chinese manufacturing PMI numbers, while USD/JPY rose 0.3% to 139.75, although the yen traded well above the recent six-month lows seen versus the dollar.

In the commodities markets, Oil prices rose in Asian trade on Friday as markets cheered the approval of a bill to raise the U.S. debt ceiling and avoid a default, although uncertainty ahead of an OPEC meeting over the weekend kept gains in check. Brent oil futures rose 0.6% to \$74.73 a barrel, while West Texas Intermediate crude futures rose 0.6% to \$70.53 a barrel. Crude prices were still set to end the week about 3% lower, following a slew of weak economic readings.

On the other end Gold and copper prices edged lower in Asian trade on Friday as markets hunkered down ahead of key nonfarm payrolls data for more cues on the U.S. economy, although both metals marked a strong recovery from recent lows this week. Gold was largely buoyed by a resurgence in bets that the Federal Reserve will keep interest rates steady during a June meeting, with weak labor and manufacturing data furthering such expectations. (Reuters)

Indicative Cross Rates

	Bid	Offer
	EUR/USD	1.0565
GBP/USD	1.2328	1.2728
USD/ZAR	17.5900	21.6136
USD/AED	3.6524	3.6934
USD/JPY	136.97	140.01

For more details, contact our Treasury staff Mary, Bernard, Joseph & Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55/51, Cell +254 709913351/52/54. 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. DIB Bank Kenya Ltd is regulated by the Central Bank of Kenya.