



**DOMESTIC NEWS**

The Kenya shilling was steady on Friday but is expected to weaken undermined by increased demand for dollars from the manufacturing sectors and oil retailing companies. Commercial banks quoted the shillings at 125.10/30 per dollar same as Thursday's close.

In other news locally, Interest rates on short-term government securities have now risen to highs of between four and seven years across different tranches, signalling a new round of increase in the cost of bank loans as the lenders' expenses on deposits go up. The rates have been rising steadily in line with the hikes in the Central Bank of Kenya (CBK) base lending rate which jumped by 1.75 percentage points to 8.75 percent last year in a bid to arrest inflation. The 182-day Treasury bill has now touched the 10 percent mark for the first time in four-and-a-half years, while the 91-day paper is at a seven-year high of 9.9 percent. The 364-day or one-year paper is also at a four-and-a-half-year high, at 10.7 percent. Bankers will be forced to match the higher T-bill rates to encourage larger depositors to leave their money with banks instead of lending to the State, and this higher cost of funds is ultimately passed on to consumers in the form of expensive loans.

*(Business daily)*

**Indicative Forex Rates**

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	121.30	132.80	121.30	131.80
GBP/KES	146.99	159.99	146.19	160.89
EUR/KES	128.78	142.68	129.08	145.58
AED/KES	30.11	43.11	32.11	40.11

	Amounts > 10 million		Amounts >100,000	
	KES		USD	
2 Weeks	7.00%		1.25%	
1 Month	7.00%		2.00%	
3 Months	7.50%		2.50%	
6 Months	8.00%		3.25%	
1 year	8.50%		4.00%	

(Source: Reuters)



**INTERNATIONAL NEWS**

The dollar gained on Friday as investors grew concerned about a U.S. inflation report next week that could show a number that is higher than markets forecast amid data showing expectations for a continued rise in prices over the next year. In afternoon trading, the dollar index, which measures the greenback against six other currencies, was up 0.4% at 103.55.

On the other hand, the yen rose across the board with Kazuo Ueda reportedly set to become the next Bank of Japan (BOJ) governor but pared gains after he said the central bank's monetary policy was appropriate. The Japanese unit was on track for its first weekly gain versus the dollar after posting losses for three straight weeks. Dollar sank as low as 129.8 yen, a one-week trough, and was last slightly down at 131.435 Yen. The euro and sterling also both fell more than 1% against the Japanese currency and were last down roughly 0.7% at 140.34 yen and down 0.5% at 158.60 yen, respectively. The BOJ shocked markets in December when it raised the cap on 10-year government bond yields to 0.5% from 0.25%, doubling the band it would permit above or below its target of zero.

In the commodities markets, Oil prices eased on Monday after rising 2% in the previous session, as investors focused on short-term demand concerns stemming from crucial upcoming U.S. inflation data and refinery maintenance in Asia and the United States. Brent crude futures fell 74 cents, or 0.9%, to \$85.65 a barrel by 0400 GMT after a 2.2% gain on Friday. U.S. West Texas Intermediate crude was at \$78.99 a barrel, down 73 cents, or 0.9%, after rising 2.1% in the previous session.

Gold prices fell to near one-month lows on Monday as traders awaited more cues on the U.S. economy from key inflation data due this week, while copper prices nursed steep losses amid growing uncertainty over an economic recovery in China. A new year rally in gold prices cooled over the past two weeks as markets reassessed their outlook for U.S. monetary policy. The Federal Reserve recently signaled that it plans to keep raising interest rates even as inflation softened in recent months. Spot gold fell 0.2% \$1,862.42 an ounce, while gold futures fell 0.1% to \$1,872.85 an ounce by 19:10 ET (00:10 GMT).

*(Reuters)*

**Indicative Cross Rates**

	Bid	Offer
EUR/USD	1.0468	1.0855
GBP/USD	1.1840	1.2255
USD/ZAR	15.9294	19.9407
USD/AED	3.6624	3.6824
USD/JPY	130.14	134.50