



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 15<sup>TH</sup> FEBRUARY 2023

### DOMESTIC NEWS

The Kenya shilling hit a fresh low on Tuesday as dollar demand from the oil sector outpaced thin foreign currency supply. Commercial banks quoted the shillings at 125.40/60 per dollar compared to 125.35/55 at the close of trading on Monday.

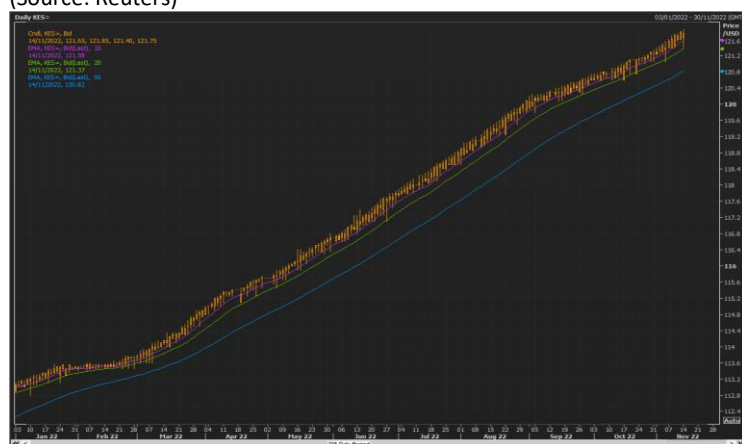
In other news locally, Banks have raised the average rate for fixed deposits to a three-and-a-half-year high of 7.16 percent, reacting to the hiking of the base lending rate by the Central Bank of Kenya (CBK) and increased appetite by depositors for government securities. The CBK raised the base lending rate by 1.75 percentage points to 8.75 percent last year in a bid to arrest high inflation, signaling a higher cost of money in the economy for both borrowers and banks. The subsequent rise in short-term government securities' rates to highs of between four (182 and 364-day Treasury bill) and seven years (91-day T-bill) has forced banks to adjust interest on non-current deposits to encourage larger depositors to leave their money with them instead of lending to the State. *(Business daily)*

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	121.45	132.95	121.45	131.95
GBP/KES	148.52	161.52	147.72	162.42
EUR/KES	129.58	143.48	129.88	146.38
AED/KES	30.15	43.15	32.15	40.15

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 hit a six-week high against the yen and recovered from a roughly two-week low against a basket of major currencies on Tuesday as data for January showing the smallest annual increase in U.S. consumer prices since October 2021 did not alter market expectations that interest rates will remain elevated for some time. The greenback initially fell across the board following the inflation report but regained its footing as U.S. Treasury yields rose as well. The dollar index, which measures the greenback against a basket of major currencies, was last flat at 103.22. It dropped as low as 102.50, its weakest level since Feb. 3

On the other hand the euro gained 0.1% to \$1.0738, hitting a roughly two-week high of \$1.0805 after the data while the Swiss franc fell to 0.9215 francs. Futures tied to the Fed's policy rate stuck to bets on Tuesday that the U.S. central bank will raise interest rates at least two more times. The futures contracts pricing showed traders are betting heavily that the Fed will raise rates by a quarter of a percentage point at each of its meetings in March and May. The current target range for the Fed's benchmark overnight interest rate is 4.50%-4.75%. The peak federal funds rate is seen hitting 5.272 in July.

In the commodities markets, Oil prices extends losses on Wednesday as a much bigger-than-expected surge in the U.S. crude inventories and expectations of further interest rate hikes sparked concerns over the prospect of weaker fuel demand and economic recession. Brent crude futures slid 72 cents, or 0.8%, to \$84.86 per barrel by 0442 GMT, while U.S. West Texas Intermediate (WTI) crude futures shed 68 cents, or 0.9% to \$78.38.

Gold prices moved little on Wednesday as mixed inflation data for January brewed some uncertainty over the U.S. economy and the path of monetary policy, with the dollar also showing a muted reaction to the readings. Spot gold was flat at \$1,854.66 an ounce, while Gold futures fell slightly to \$1,864.75 an ounce by 19:20 ET (00:20 GMT). Both instruments were trading just above one-month lows. *(Reuters)*

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0515	1.0915
GBP/USD	1.1915	1.2335
USD/ZAR	15.9728	19.9845
USD/AED	3.6624	3.6824
USD/JPY	131.05	135.55

For more details, contact our Treasury staff Mary, Bernard, Loryne Evelyn on Tel +254 20 5131311, DL +254 20 513 1354/55/51, Cell +254 709913351/54/55. 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.