



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 26TH MAY 2023

DOMESTIC NEWS

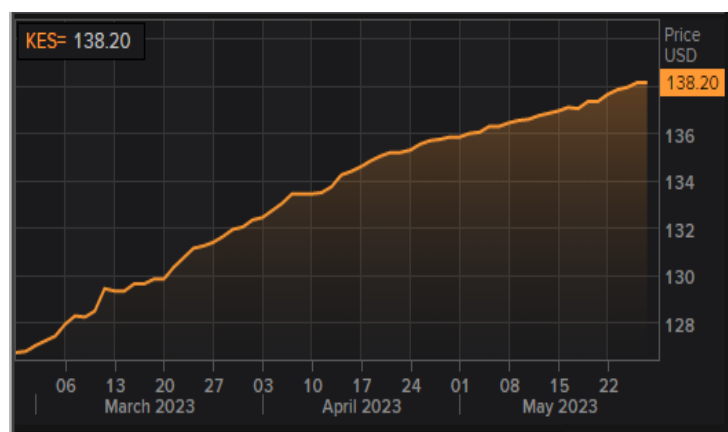
Kenya's shilling weakened on Thursday to a fresh low as month-end demand for dollars weighed on the local currency, which has been under sustained pressure from oil importers and the manufacturing sector. Commercial banks quoted the shilling at 138.15/138.35 per dollar - its lowest ever level - compared to Wednesday's close of 138.00/138.20. The shilling is down over 10.7% against the dollar this year.

Global economists have marginally downgraded Kenya's growth outlook for 2023, citing below-average rainfall, and a weakening shilling amid lingering threats of return of anti-government protests. The panelists polled from 14 world-leading banks, consultancies and think tanks projected expansion in economic activities to decelerate for the second year in a row, hurting job opportunities for growing unemployed skilled youth. They expect the gross domestic product (GDP), a gauge of national economic output, to soften to 4.5 percent, according to their latest consensus growth forecast, slower than 4.7 percent in last month's outlook report. (Business daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	134.30	145.80	134.30	145.55
GBP/KES	166.57	178.42	165.77	178.97
EUR/KES	143.61	157.01	143.91	158.41
AED/KES	33.66	46.66	35.66	47.16

	Amounts > 10 million	Amounts >100,000
	KES	USD
2 Weeks	7.50%	1.50%
1 Month	7.50%	2.50%
3 Months	8.00%	3.25%
6 Months	8.50%	3.50%
1 year	9.00%	4.25%



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

INTERNATIONAL NEWS

The U.S. dollar gained in Europe Thursday, climbing to a two-month high on rising fears of a U.S. default as Fitch threatens a rating downgrade. The Dollar Index, which tracks the greenback against a basket of six other currencies, rose 0.2% to 103.955, just below the 104.05 overnight peak, the highest level since mid-March. The dollar has also been boosted by a more hawkish view of the Federal Reserve's monetary policy actions this year, with the U.S. economy proving resilient to the aggressive tightening to date.

Elsewhere EUR/USD fell 0.1% to 1.0739, close to a two-month low, after data released early Thursday showed that the German economy, the largest in Europe, contracted slightly in the first quarter of 2023 compared with the previous three months, thereby entering recession. Officials at the European Central Bank have tended to point towards further interest rate increases in order to tame inflation, with Governing Council member Bostjan Vasle the latest to do so. GBP/USD edged lower to 1.2363, not far removed from its weakest level since April 3, while the risk-sensitive AUD/USD dropped slightly to 0.6541. USD/JPY drifted lower to 139.45, just off a six-month high, with the yen suffering after two-year U.S. Treasury yields extended to highs not seen since mid-March. USD/CNY rose 0.1% to 7.0685, with the pair near a near six-month high as fears of a renewed COVID outbreak added to concerns over slowing economic growth in China.

In the commodities markets, Oil prices softened in early trade on Friday, weighed on by conflicting messages from Russia and Saudi Arabia ahead of the next OPEC+ policy meeting and a stronger dollar. Brent crude fell 30 cents to \$75.96 a barrel at 0315 GMT, while U.S. West Texas Intermediate was down by 14 cents at \$71.69 a barrel.

On the other end Gold prices hovered around two-month lows on Friday and were set for steep weekly losses as concerns over raising the U.S. debt ceiling and expectations of high interest rates saw investors pivot into the dollar. Spot gold fell 0.1% to \$1,939.70 an ounce, while gold futures expiring in June fell 0.2% to \$1,939.80 an ounce. Both instruments were at their lowest levels in two months, after tumbling below the key \$2,000 an ounce level earlier in May. Copper futures rose 0.1% to \$3.5950 a pound on Friday, steadying from recent losses. But they were still set to lose nearly 4% this week. (Reuters)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0534	1.0939
GBP/USD	1.2132	1.2535
USD/ZAR	17.7454	21.7566
USD/AED	3.6517	3.6927
USD/JPY	137.75	141.77

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.