



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 26TH SEPTEMBER 2023

DOMESTIC NEWS

Kenya's shilling slipped lower on Monday, traders said, driven by forex demand from oil marketers and manufacturers. Commercial banks quoted the shilling at 147.40/60 per dollar, compared with Friday's closing rate of 147.30/50.

Interest payments on loans tapped by the State are set to rise by a record Sh231.6 billion, even as a weak shilling forces the Treasury to inflate the size of the budget, adding to spending pressures on the Kenya Kwanza administration. The interest payments are essentially the cost of borrowing money. The borrower makes these payments in addition to paying back the principal on a loan. The Treasury expects interest payments in the financial year ending June 2024 to rise sharply to Sh918.9 billion—marking an increase of 33.7 percent from Sh687.3 billion, mainly due to the weakening of the shilling.

(Business Daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	143.70	155.20	143.70	154.95
GBP/KES	176.16	188.01	175.36	188.56
EUR/KES	151.44	164.84	151.74	166.24
AED/KES	36.21	49.21	38.21	49.71

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 July 2023 – Date (Source: Reuters)

INTERNATIONAL NEWS

Monday saw the U.S. Dollar reach its highest level since March, as investors sought safer options amidst speculation that central banks would maintain high interest rates to curb inflation. This development coincided with a decline in U.S. government bonds, while stocks remained steady. A surge in the yield on the U.S. Treasury 10-year note by nine basis points marked a high of 4.53%, a level unseen since 2007. Concurrently, Bloomberg's Dollar Spot Index increased for the fourth day in a row, nearing its highest point this year. The dollar received a boost last week after the U.S. Federal Reserve indicated that rates would be higher for longer, surprising the market with the hawkish nature of its predictions. This contrasted significantly with its counterparts in Britain and Switzerland, who both halted their rate-hiking cycles, while the Bank of Japan maintained its extremely accommodative monetary policy.

Elsewhere EUR/USD edged lower to 1.0650, just above the six-month low of 1.0615 seen on Friday, and was on track to lose roughly 1.8% for the month, its steepest monthly fall since May. GBP/USD rose 0.1% to 1.2244, rebounding to a degree after sliding more than 1% last week, with the pound heading for a more than 3% fall in September, its worst monthly performance in a year. USD/JPY traded largely unchanged at 148.38, not far removed from the pair's 10-month high seen last week after the Bank of Japan's dovish meeting. USD/CNY rose 0.2% to 7.3092, with the Chinese yuan struggling due to renewed concerns over China's debt-addled property market.

In the commodities markets, Gold prices fell in Asian trade on Tuesday, facing consistent pressure from a stronger dollar and higher Treasury yields as Federal Reserve officials reiterated the bank's outlook for higher interest rates. Spot gold fell 0.1% to \$1,913.62 an ounce, while gold futures expiring in December fell 0.2% to \$1,932.25 an ounce by. Both instruments were at a 11-day low. The property sector is also a key driver of copper demand. Copper futures fell 0.1% to \$3.702 a pound, and were close to 1-½ month lows.

On the other end Oil prices fell on Tuesday amid concerns that fuel demand will be cramped by major central banks holding interest rates higher for longer, even with supply expected to be tight. Brent crude futures were down 38 cents at \$92.91 a barrel, while U.S. West Texas Intermediate crude futures were trading 34 cents lower at \$89.34.

(Reuters)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0382	1.0785
GBP/USD	1.1994	1.2397
USD/ZAR	16.8152	20.8265
USD/AED	3.6524	3.6934
USD/JPY	146.90	150.91

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.