DAILY FX NEWSLETTER

26th October 2018

Local Markets:

The Kenyan shilling remained under pressure against the dollar on Thursday amid heightened importer demand and excess liquidity in the local money markets. USDKES opened at 101.10/101.40 and moved to highs of 101.15/101.45 in the afternoon session before closing at those levels for the day.

Indicative FX rates as at 8.30am:

Currency	*Buying*	*Selling*	*Currency*	*Today*	*Previous*
USD/KES	100.90	101.70			
GBP/KES	129.35	130.45	*GBP/USD*	1.2815	1.2885
EUR/KES	114.75	115.80	*EUR/USD*	1.1360	1.1410
INR/KES		1.3860	*AUD/USD*	0.7030	0.7075
			USD/INR	73.40	73.25
			Commodities		
			Gold	1234	1239
			Brent Crude	76.34	75.44

T-Bills Rates:

Duration	*Current*	*Previous*
91 Days	7.494%	7.507%
182 Days	8.386%	8.450%
364 Days	9.524%	9.579%

Top News:

- The Japanese yen strengthened versus the U.S. dollar on Friday as appetite for riskier assets remained suppressed while the Australian dollar, often viewed as a gauge of risk appetite, hit a near 33-month low as sentiment in Asian trade weakened.

International Markets:

USD: The dollar re-gained positive traction and rallied to fresh two-month tops against a basket of currencies on Thursday after a rather muted reaction to mixed US data. Durable goods orders increased by 0.8% in September to beat the analysts estimate for a 0.9% decline by a wide margin while other data revealed that the trade deficit rose to $76.04 billion from $75.83 billion in August. Resurgent demand was further supported by a goodish pickup in the US Treasury bond yields and comments by the newly appointed Fed Vice Chair Clarida who signaled that the Fed officials remain unfazed by the recent stock market rout and hence, yield differentials are set to widen further in a USD-positive manner- causing the US Dollar Index to rise to its highest levels in 10 weeks at 94.60. US Preliminary GDP figures are due today and markets will no doubt see plenty of Greenback-based action, with 2018's third-quarter GDP expected to print at 3.3%, a slight contraction from the previous quarter's 4.1%

GBP: The pound fell on Thursday and relief about British Conservative lawmakers backing Prime Minister Theresa May's Brexit strategy gave way to fresh fears about the risk of a no-deal UK departure from the European Union. The sterling is trading into $1.2800 heading into Friday's London market session after accelerating declines yesterday following comments from UK Brexit Secretary Dominic Raab who blamed the European Union for the lack of a Brexit deal. The economic calendar leaves the pound completely unrepresented, and the Cable will be seeing market sentiment holding the reigns to end the week's trading. The sterling is likely to trade within a range with support seen at $1.2800 and resistance at $1.2860.

EUR: After rising to a daily high of $1.1435 during the first half of the ECB president Mario Draghi's press conference, the euro lost its traction and quickly retraced its upside to touch its lowest level since August 17 at 1.1360. As expected, the ECB decided to leave its policy rate unchanged and reduced monthly QE purchases to $15 billion until the end of the year. However, Draghi said the economy continues to expand broad-based but also mentioned that the latest data was "weak" message underlines that it is still far too early for the ECB 'normalization' path to provide more broad-based support to the single currency, leading to some softening in the ECB's forward guidance that weighed in on the currency. For today, Gfk consumer climate data is due, along with a speech by Draghi later in the session. The euro is likely to trade within a range with support seen at $1.1350 and resistance at $1.1420.

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