

## DAILY FX NEWSLETTER

2<sup>nd</sup> November 2018

### Local Markets:

The Kenyan shilling recovered ground against the dollar on Thursday after the central bank offered dollars directly to banks in the foreign exchange market and also absorbed KES 5bln in excess liquidity from the money markets which lent further support to the local unit.

USDKES opened the day at 102.00/102.30 and edged lower to trade at 101.60/101.90 after the CBK intervention, leaving the shilling stronger for the day.

### Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
<b>USD/KES</b>	101.35	102.15			
<b>GBP/KES</b>	132.00	133.05	<b>GBP/USD</b>	1.3010	1.2850
<b>EUR/KES</b>	115.95	116.90	<b>EUR/USD</b>	1.1430	1.1340
<b>INR/KES</b>		1.4050	<b>AUD/USD</b>	0.7245	0.7130
			<b>USD/INR</b>	72.78	73.83
			<b>Commodities</b>		
			<b>Gold</b>	1235	1219
			<b>Brent Crude</b>	73.21	74.59

### T-Bills Rates:

Duration	Current	Previous
91 Days	7.387%	7.494%
182 Days	8.317%	8.386%
364 Days	9.519%	9.524%

### Top News:

- The safe haven yen slipped and the Australian dollar extended its rally on Friday as an apparent de-escalation in the U.S.-China trade war gave market confidence a significant boost in Asian trade after reports hit the wires that Trump had asked U.S. officials to begin drafting a possible trade deal with China.

### International Markets:

**USD:** Investors sold the strong US Dollar from its best levels on Thursday, as global stock markets recovered and investor appetite for safe haven currencies lightened. The US ISM manufacturing index dropped to 57.7 in October, down from 59.8 and missed expectation of 59.0- the lowest level since April this year, showing that the Trump administration's trade policy continues to impact the manufacturing sector negatively. The Dollar Index (DXY) which rose to its highest level in more than a year at 97.20, was last seen down 0.7% on the day at 96.40. The NA session holds plenty of event risks, including the eagerly awaited US payrolls and wage growth numbers that will throw fresh light on the Fed's rate hike outlook in the months ahead.

**GBP:** The sterling surged over 1% against its key peers on Thursday, taking it to above \$1.3000 against the dollar, rallying on a combination of progress regarding Brexit negotiations and a hawkish message on the future of U.K. interest rates at the Bank of England. As expected, the BoE decided to keep the policy rate unchanged at 0.75% in a unanimous vote, and positive remarks from Governor Carney boosted sentiment after he hinted at slightly faster future hikes in interest rates and added that the BoE could raise interest rates in 2019 whether the U.K. and E.U. strike a Brexit deal or not; which tells markets the Bank is willing to raise rates in the event of a 'no deal' Brexit in order to defend the value of Sterling in order to stave off a damaging round of rising inflation. On the cards today is UK's Construction PMI for October forecast at 52.0 from 52.1 last. The sterling is likely to trade within a range with support seen at \$1.2970 and resistance at \$1.3050.

**EUR:** The euro climbed to \$1.1425 on Thursday, reaching its highest levels for the week after a sharp decline of the dollar across the board drove the single currency higher. The EU will see the release of the region's Markit final Manufacturing PMI for October, which will likely have a limited effect on the pair, leaving the euro to take further direction from dollar dynamics once again. The euro is likely to trade within a range with support seen at \$1.1400 and resistance at \$1.1470.

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