

DAILY FX NEWSLETTER

11th January 2019

Local Markets:

The Kenyan shilling continued to trade firm against the dollar amid high liquidity in the money markets as well as reduced dollar demand from importers. USDKES opened at levels of 101.65/101.95 and moved to trade at 101.60/101.90 during the afternoon session before closing at the same rate.

Top News:

- Asian stocks inched up to five-week highs on Friday, after Chairman Jerome Powell reiterated the Federal Reserve will be patient about raising interest rates and news that trade talks between Washington and Beijing are moving to higher levels.

International Markets:

USD: The dollar rallied from three-month lows on Thursday, extending gains against the euro and yen, after Federal Reserve Chairman Jerome Powell said the U.S. central bank intends to further shrink the balance sheet, suggesting it is not done tightening monetary policy just yet. Gains were kept in check in early Asian trade this morning as the Fed chairman still said the central bank will be "patient," with rates as it weighs the pace of global growth and domestic inflation. In economic news, unemployment claims dropped sharply to 216k, below the forecast of 226k. Friday delivers a key USD driver late in the day when US Core CPI drops on markets (forecast 2.2%, last 2.2%), and with the US Fed taking a notably dovish stance this week, investors will be keeping a close eye on US inflation data which could push the Federal Reserve off of interest rate hikes for 2019.

GBP: The cable climbed from \$1.2750 to \$1.2780 at the time of the London fix but found resistance, posting modest losses for the day after the BRC release indicated that UK retail sales slumped by 0.7% in 2018 compared to December 2017's 0.6% increase bringing the rate of total sales growth to zero for the first time since the financial crisis. The economic calendar sees a wave of UK data dropping on markets, with Manufacturing Production for November, November's Industrial Production, at the same time, the UK's Goods Trade Balance for November, while the key headline reading will be the UK's latest monthly GDP for November, expected to hold steady at 0.1%. The sterling is likely to trade within a range with support seen at \$1.2700 and resistance at \$1.2800.

EUR: The common currency picked up a bid at \$1.1495 in Asia and rose to a high of 1.1540, however, with the dollar limiting its losses and gathering strength in the second half of the day, the pair failed to stay in the positive territory. The European Central Bank published the accounts of its December meeting which highlighted that there were growing signs that investors were becoming more concerned about the global growth outlook since the October meeting. No macro data is scheduled for release today and the euro is likely to trade within a range with support seen at \$1.1480 and resistance at \$1.1580.

Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	101.30	102.20			
GBP/KES	129.45	130.55	GBP/USD	1.2770	1.2790
EUR/KES	117.00	118.00	EUR/USD	1.1530	1.1560
INR/KES		1.4500	AUD/USD	0.7220	0.7190
			USD/INR	70.40	70.56
			Commodities		
			Gold	1293	1296
			Brent Crude	61.53	60.84

T-Bills Rates:

Duration	Current	Previous
91 Days	7.200%	7.316%
182 Days	8.935%	8.997%
364 Days	9.958%	10.011%

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