

DAILY FX NEWSLETTER

11th February 2019

Local Markets:

The Kenyan shilling weakened marginally against the dollar on Friday as demand for the greenback ticked up, offsetting remittances from the diaspora. USDKES opened at 100.05/100.35 and closed at highs of 100.25/100.55.

Top News:

- Asian shares started the week on the backfoot as investors were unable to shake off worries about global growth, U.S. politics and the Sino-U.S. trade war, keeping the safe-haven dollar well bid near a six-week top against major currencies

International Markets:

USD: The dollar edged higher against a basket of currencies on Friday, ending its strongest week in six months, as traders piled into the greenback in a safe-haven move on worries about a weakening global economy. The dollar saw fresh support on fears the U.S. and China are set to resume, or worst yet escalate their trade war in the coming weeks as Washington reportedly will not back away from plans to ramp up tariffs on China in the absence of a trade deal by March 1. The economic calendar is data free today and traders await further news on China trade talks.

GBP: Following its dip to the day's lows at \$1.2920, the Cable surged towards \$1.2975, marking a new high as news from May's visit to the European Union (EU) leaders raised hopes that the Brexit negotiation will re-open by the end of February and the March 29 deadline may be delayed, which in turn could give soft departure of the UK from the EU region. The sterling however trades little changed around \$1.2930 heading towards the European session on Monday, coming under pressure on reports that the UK PM Theresa May might reject opposition's appeal to UK-wide customs union. The UK will release at the beginning of the week preliminary Q4 GDP, with the economy expected to have grown 0.2% in the three months to December. The UK will also offer fresh Industrial and Manufacturing Production data, and the December Trade Balance. The pound is likely to trade within a range with support seen at \$1.2890 and resistance at \$1.2960.

EUR: The euro tested fresh lows in the \$1.1320 region against the dollar, but managed to regain some traction to the mid \$1.1300s, although still remained under pressure amidst alternating risk appetite trends in the global markets. Adding to the downbeat sentiment around the shared currency, the European Commission has published its forecasts yesterday, where it revised lower its prospects of economic growth for 2019 in both Germany (1.1% from 1.8%) and the broader euro bloc (1.3% from 1.9%). In addition, inflation in the region is now seen at 1.4% during this year (from 1.8%). No data is due out for the euro today and sentiment is likely to be driven by dollar dynamics. The euro is likely to trade within a range with support seen at \$1.1300 and resistance at \$1.1370.

Indicative FX rates as at 8.30am:

| Currency | Buying | Selling | Currency | Today | Previous |
|----------------|--------|---------|--------------------|--------|----------|
| USD/KES | 99.80 | 101.10 | | | |
| GBP/KES | 129.45 | 130.65 | GBP/USD | 1.2935 | 1.2950 |
| EUR/KES | 113.35 | 114.35 | EUR/USD | 1.1325 | 1.1340 |
| INR/KES | | 1.4160 | AUD/USD | 0.7095 | 0.7080 |
| | | | USD/INR | 71.20 | 71.25 |
| | | | Commodities | | |
| | | | Gold | 1315 | 1312 |
| | | | Brent Crude | 61.53 | 61.25 |

T-Bills Rates:

| Duration | Current | Previous |
|----------|---------|----------|
| 91 Days | 7.040% | 7.061% |
| 182 Days | 8.567% | 8.780% |
| 364 Days | 9.644% | 9.856% |

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