

DAILY FX NEWSLETTER 05TH February 2020

Local Markets:

The Kenyan shilling was stable on Tuesday supported by inflows from offshore investors buying government debt amid subsiding dollar demand from the energy and manufacturing sector.

Top News:

- Gold prices inched up on Wednesday after a sharp drop in the previous session, as a virus outbreak from China spread further and the death toll neared 500, although risk appetite was buoyed by Beijing's efforts to mitigate its economic impact.
- Oil prices rose on Wednesday, reversing out of a 1% slump in the previous session, boosted by producers weighing further output cuts to counter a potential squeeze on global oil demand resulting from China's fast-spreading coronavirus.

International Markets

USD: The dollar held gains against the yen on Wednesday amid a broad unwinding of safe-haven positions as China's responses to the coronavirus outbreak supported investor confidence, even as deaths and new cases climbed. The coronavirus outbreak claimed its first life in Hong Kong on Tuesday, as the mainland China death toll rose by 65 to 490 and the number of cases rose to 24,324.

GBP: GBP/USD pulls back to 1.3025 while heading into the London open on Wednesday. The Cable fails to extend the previous day's recovery amid fresh accusations on the UK PM Boris Johnson's crackdown on jurisdiction concerning terrorists and environment protection. The Tory leader announced to repeal the law that allowed terrorists to be freed from jail after completing half the term. However, the opposition Labor Party lawmakers raised doubts over the Tories' ability to pass any such regulations.

EUR: EUR/USD is losing altitude amid risk reset in the financial markets. Coronavirus scare has eased with China's decision to inject liquidity. All eyes remain on Eurozone data, ECB Lagarde's speech and US PMIs. Amid risk reset, the EUR/USD pair is currently trading near 1.1034, down 0.10% on the day, having faced rejection near 1.11 on Monday. With risk sentiment strengthening, the treasury yields are likely to extend Tuesday's gains. EUR/USD, therefore, risks falling to 1.10.

INR: The USDINR pair ended the session higher by 11 paise at 71.44 due to broad-based US dollar strength across the global market and buying from some state-owned banks for importers. However, foreign and domestic private banks sold the greenback at higher levels, likely for exporters, cushioned the fall in the rupee. The novel coronavirus in China, the world's second largest economy, has led to global risk aversion.

Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	100.05	100.65			
GBP/KES	130.20	131.15	GBP/USD	1.3026	1.3029
EUR/KES	110.35	111.30	EUR/USD	1.1049	1.1075
INR/KES		1.4250	AUD/USD	0.6746	0.6729
			USD/INR	71.16	71.05
			Commodities		
			Gold	1564	1577
			Brent Crude	54.53	54.88

T-Bills Rates:

Duration	Current	Previous
91 Days	7.296%	7.279%
182 Days	8.229%	8.212%
364 Days	9.879%	9.859%

For further enquiries, kindly contact: Joseph Nyamache /Daniel Yegon/Mayuri Mistry, D/L 020-2223409/2213470 or general nos. 2228461/2

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