

## DAILY FX NEWSLETTER 20<sup>TH</sup> March 2020

### **Local Markets:**

The Kenyan shilling dropped on Thursday to its lowest level since September 2015, mainly due to worries about the potential drop of hard currency inflows caused by the new coronavirus.

### **Top News:**

- Gold prices rose 1% on Friday as safe-haven buying offset a rush for cash amid fears over the economic hit from the coronavirus, but bullion was headed for a second weekly drop as investors sold the metal to meet margin calls in other assets.
- U.S. crude oil prices rose over \$1 on Friday, extending steep gains from the previous session, after U.S. President Donald Trump hinted he may intervene in the price war between Saudi Arabia and Russia at an “appropriate time”.

### **International Markets**

**USD:** The dollar was headed for its biggest weekly gain since the 2008 global financial crisis on Friday, even as its rally lost some steam, with the coronavirus pandemic driving a dash for cash that is straining the world’s financial plumbing. With signs of stress in the financial system still elevated — even as central banks across the globe pump cheap dollars to banks — few expect a reversal of the dollar’s rise.

**GBP:** GBP/USD bounces off multi-year low amid broad US dollar pullback. Expectations of aggressive measures from the UK Chancellor offer additional help. UK Brexit Chief isolates himself on coronavirus concerns, the US COVID-19 headlines are also gloomy. Having lost 1,800 pips in the last nine-days, GBP/USD recovers 1.55% to 1.1666 while heading into the London open on Friday.

**EUR:** The options market is most bearish on EUR/USD in three years. Potential risk reset could weaken demand for the American dollar, helping EUR/USD to regain some poise. One-month risk reversals on EUR/USD, a gauge of calls to puts, plunged to their lowest level since April 2017, indicating increased demand for put options on the common currency. A put option gives the holder a right but not the obligation to sell the underlying asset at an agreed price on or before a particular date.

**INR:** Risk reversals on USD/INR, a gauge of calls to puts, rose to a seven-year high of 2.65 on Thursday, indicating the investors are adding bets to position for a rally in USD/INR (weakness in the Indian rupee). A positive number indicates the demand for the call options (bullish bets) is greater than that for the put options (bearish bets). The gauge has surged by in a near 90-degree manner from 0.425 to 2.65 over the last three weeks or so.

### **Indicative FX rates as at 8.30am:**

Currency	Buying	Selling	Currency	Today	Previous
<b>USD/KES</b>	105.00	105.80			
<b>GBP/KES</b>	122.25	123.45	<b>GBP/USD</b>	1.1670	1.1519
<b>EUR/KES</b>	112.65	113.80	<b>EUR/USD</b>	1.0758	1.0916
<b>INR/KES</b>		1.4220	<b>AUD/USD</b>	0.5865	0.5620
			<b>USD/INR</b>	74.92	74.86
			<b>Commodities</b>		
			<b>Gold</b>	1486	1473
			<b>Brent Crude</b>	28.67	25.67

### **T-Bills Rates:**

Duration	Current	Previous
91 Days	7.275%	7.313%
182 Days	8.030%	8.104%
364 Days	9.051%	9.100%

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