

## DAILY FX NEWSLETTER

26<sup>th</sup> March 2020

### Local Markets:

The Kenyan shilling strengthened on Wednesday due to reduced dollar demand from importers in the manufacturing sector as factories slowed down their activities over coronavirus concerns.

### Top News:

- Oil prices were mixed on Thursday following three days of gains, with the prospect of rapidly dwindling demand due to coronavirus travel bans and lockdowns offsetting hopes a U.S. \$2 trillion emergency stimulus will shore up economic activity.
- Gold prices fell on Thursday as investors scurried for liquid cash while awaiting the passage of a \$2 trillion dollar U.S. stimulus package to combat the economic impact of the coronavirus epidemic.

### International Markets

**USD:** The dollar fell against the yen on Thursday before data expected to show a surge in U.S. claims for unemployment benefits as companies lay off workers due to the rapid spread of the coronavirus. Investors anxiously await the passage of a \$2 trillion U.S. stimulus package to offset the economic impact of the coronavirus pandemic, but there are already indications that some U.S. states will need more money for medical supplies as the health care system struggles to cope.

**GBP:** GBP/USD stalls the two-day winning streak ahead of the key events. Jump in the UK's coronavirus cases in the spotlight. UK Retail Sales can offer intermediate clues ahead of the BOE. With the pandemic fears probing the Cable buyers, GBP/USD stays under pressure around 1.1855 while heading into the London open on Thursday. Not only coronavirus (COVID-19) fears, but the cautious sentiment ahead of the UK Retail Sales and BOE also tames the quote's moves.

**EUR:** EUR/USD jumped to 1.0934 in Asia, erasing nearly 35 percent of the sell-off from 1.1495 to 1.0636 witnessed in the two weeks to March 23. The spot crossed above 1.09 on the back of broad-based US dollar weakness. Markets offered greenback, possibly in hopes of the US fiscal stimulus. As per the latest reports, the coronavirus fiscal stimulus bill has finally passed the US Senate and could be put to vote in the lower house on Friday.

**INR:** One-month risk reversals on USD/INR, a gauge of calls to puts, rose to their highest levels since August 2013 on Wednesday, indicating investors are adding bets to position for further weakness in the Indian Rupee (INR). Risk reversals jumped to a seven-year high of 3.475 on Wednesday, having bottomed out near 0.20 at the end of December 2019. The surge represents a rise in demand or implied volatility premium for call options (bullish bets).

### Indicative FX rates as at 8.30am:

| Currency       | Buying | Selling | Currency           | Today  | Previous |
|----------------|--------|---------|--------------------|--------|----------|
| <b>USD/KES</b> | 105.60 | 106.60  |                    |        |          |
| <b>GBP/KES</b> | 124.95 | 126.70  | <b>GBP/USD</b>     | 1.1860 | 1.1940   |
| <b>EUR/KES</b> | 115.00 | 116.75  | <b>EUR/USD</b>     | 1.0920 | 1.0849   |
| <b>INR/KES</b> |        | 1.4310  | <b>AUD/USD</b>     | 0.5925 | 0.6068   |
|                |        |         | <b>USD/INR</b>     | 75.21  | 76.26    |
|                |        |         | <b>Commodities</b> |        |          |
|                |        |         | <b>Gold</b>        | 1624   | 1651     |
|                |        |         | <b>Brent Crude</b> | 27.23  | 27.39    |

### 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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