

# DAILY FOREX NEWSLETTER

Tuesday, 1<sup>st</sup> September 2020

## Local Markets:

The Kenyan shilling held steady against the dollar on Monday, but it expected to come under pressure from lower hard currency inflows and reduced risk appetite among offshore investors.

## Top News:

- Gold prices rose on Tuesday to their highest level in nearly two weeks, as the dollar slipped to multi-year lows on bets that U.S. interest rates would stay lower for a longer period after the Federal Reserve's new policy framework.
- Oil prices rose in early trade on Tuesday, reversing overnight losses, as investors shifted to risk assets and out of the safe-haven U.S. dollar, which slid to a more than two-year low.

## International Markets

**USD:** The dollar languished near multi-year lows against most major currencies on Tuesday as the Federal Reserve's new policy framework continued to fuel bets that U.S. rates will stay lower for longer than other countries. The Australian dollar traded near a two-year high against the greenback ahead of a Reserve Bank of Australia policy meeting later on Tuesday to gauge policymakers' views on the economy.

**GBP:** GBP/USD stays well bid near 1.3410 after rising from 1.3356. US dollar's drop to fresh 28-month low propels the pair. Chatters surrounding UK Chancellor's Sunak's likely tax-hike offer, Brexit woes gain a little audience. UK Manufacturing PMI, US ISM Manufacturing PMI will join the Brexit news for near-term direction. GBP/USD bulls get a warm welcome after returning from the long weekend. The quote refreshes the year 2020 top while rising to 1.3410, currently around 1.3406, up 0.30% on a day, during the pre-London open on Tuesday.

**EUR:** EUR/USD hit a high of 1.1997 during the Asian trading hours. Investors continue to sell dollars on the back of the dovish Fed. The pair looks set to break above 1.20. EUR/USD looks set to beat the psychological hurdle of 1.20 for the first time since May 2018 amid relentless sell-off in the US dollar. At press time, the pair is trading near 1.1990, representing a 0.45% gain on the day, having almost tested the psychological hurdle of 1.20 during the Asian trading hours.

**INR:** Indian bond yields fell to their lowest level in over two weeks on Tuesday following the Reserve Bank of India's (RBI) special open market operation (OMO) announcement, while the rupee rose to six-month highs. The RBI on Monday announced new measures to maintain stability in the financial system during the coronavirus pandemic, including two more tranches of special OMOs in its 'Operation Twist' and some easing of held-to-maturity (HTM) limits for bond holdings by banks.

## Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	107.30	108.90			
GBP/KES	143.50	145.95	GBP/USD	1.3430	1.3360
EUR/KES	128.50	130.85	EUR/USD	1.1998	1.1925
INR/KES		1.5020	AUD/USD	0.7410	0.7364
			USD/INR	72.80	73.30
			Commodities		
			Gold	1988	1969
			Brent Crude	45.75	46.01

## T-Bills Rates:

Duration	Current	Previous
91 Days	6.273%	6.257%
182 Days	6.625%	6.600%
364 Days	7.507%	7.508%

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