

DAILY FOREX NEWSLETTER

Friday, 5th February 2021

Local Markets:

The Kenyan Shilling strengthened on Thursday helped by tea export inflows and commercial bank shedding their long dollar position.

Top News:

- Gold edged up on Friday, recovering from its lowest level in more than two months, but is still on course to post its worst week in ten due to a firmer dollar.
- Oil prices climbed on Friday to their highest levels in a year, extending a run of strong gains this week, boosted by the continued commitment of producers to hold back crude supply and positive signs of economic growth in the United States.

International Markets

USD: The dollar headed for its best weekly gain in three months, lifted by growing confidence that the U.S. economic recovery will outpace global peers. The dollar index was just shy of the two-month high reached overnight amid signs of resilience in the labor market, with closely watched nonfarm payroll figures due Friday. The U.S. economy is exceptionally strong relative to other countries, causing dollar short covering, J.P. Morgan's head of Japan market research in Tokyo, pointing to employment and manufacturing indicators as well as the pace of vaccinations.

GBP: GBP/USD holds the previous day's recovery moves despite repeated failures to cross 1.3700 off-late. Brexit woes, UK-China tussle probe bulls cheering the previous day's hawkish halt by the BOE. Claims over vaccine-led deaths in the UK, suspension of post-mortems gain rejection. BOE Governor, Deputy and Chief Economist are up for speaking, US employment data will be more important. GBP/USD fades early day pullback while bouncing off 1.3668, currently around 1.3675, ahead of Friday's London open. The cable marked a notable reversal from a three-week low the previous day as the Bank of England (BOE) pushed back the negative rate chatters.

EUR: EUR/USD three-month risk reversal shows strongest bearish bias since June 2020. Technical charts and macro factors look to have aligned in favor of the bears. German Factory Orders are forecast to contract 1% in December. EUR/USD's options market positioning looks stacked against the single currency. According to data source Reuters, the three-month risk reversal shows an implied volatility premium for puts over calls at an eight-month high (of -0.275). In other words, the bearish bias is strongest since June 2020.

INR: The rupee appreciated by 6 paise to 72.90 against the US dollar in opening trade on Thursday amid muted domestic equities. At the interbank forex market, the local unit opened at 72.92 against the US dollar and inched higher to 72.90 in early deals, registering a rise of 6 paise over its previous close.

Indicative FX rates as at 8.30am:

| Currency | Buying | Selling | Currency | Today | Previous |
|----------|--------|---------|-------------|--------|----------|
| USD/KES | 108.70 | 110.70 | | | |
| GBP/KES | 147.75 | 151.80 | GBP/USD | 1.3685 | 1.3610 |
| EUR/KES | 129.70 | 132.60 | EUR/USD | 1.1965 | 1.2020 |
| INR/KES | | 1.5400 | AUD/USD | 0.7610 | 0.7630 |
| | | | USD/INR | 72.80 | 72.85 |
| | | | Commodities | | |
| | | | Gold | 1797 | 1818 |
| | | | Brent Crude | 59.30 | 58.80 |

T-Bills Rates:

| Duration | Current | Previous |
|----------|---------|----------|
| 91 Days | 6.873% | 6.987% |
| 182 Days | 7.594% | 7.578% |
| 364 Days | 8.716% | 8.623% |
| | | |

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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