

DAILY FOREX NEWSLETTER

Tuesday 31st May 2022

Local Markets:

The Kenya's shilling weakened on Monday to a new record low due to increased demand for dollars from importers in the manufacturing and energy sectors, and a dearth of inflows.

Kenya's Central Bank raised its benchmark lending rate CBR from 7.00% to 7.5% on Monday for the first time in nearly seven years, saying inflation risks were elevated because of global commodity prices and supply chain disruptions.

Top News:

- Stocks wobbled and bonds fell in Asia, while the dollar rose on Tuesday after a hot inflation reading in Germany heightened nerves about the pace and scale of looming interest rate hikes.
- Oil prices rose on Tuesday after EU agreed to slash oil imports from Russia by the end of 2022, fueling worries of a tighter market already strained for supply amid rising demand ahead of peak U.S. and European summer driving season.

International Markets

USD: The U.S. dollar resumed its slide, as risk appetite across markets tentatively strengthened, supported by encouraging economic data and bets that the Federal Reserve will tighten policy at a slower pace.

GBP: GBP/USD is displaying downside signs as the Fed has turned extremely hawkish. Fed Waller is in favour of a spree of 50 bps interest rate hikes till the Fed fixes the inflation mess. The BOE is more likely to announce a rate hike by 50 bps in its June monetary policy. The GBP/USD pair has witnessed a pullback from its intraday low of 1.2600. Earlier, the asset witnessed a steep fall after slipping below 1.2641 as the US dollar index (DXY) displayed a power-pack buying action in its opening trade.

EUR: EUR/USD fades bounce off intraday low during the first negative daily performance in four. US dollar rebounds from monthly low amid firmer yields, month-end consolidation, eyes Biden-Powell meet amid inflation chatters. Hawkish ECB Speak highlights Eurogroup meeting, EU CPI for May as important catalysts. EUR/USD fails to pick up bids as sellers flirt with the 1.0750-40 area, fading bounce off the daily low, ahead of Tuesday's European session. That said, the firmer US dollar and the market's anxiety ahead of the key Eurozone inflation data, as well as a meeting between US President Joe Biden and Fed Chair Jerome Powell, seem to have triggered the quote's pullback from the monthly top.

INR: USD/INR takes the bids to renew intraday high amid broad US dollar rebound. Firmer oil prices, strong yields drown INR ahead of India's Jan-March GDP. Easing bets on Fed's aggressive rate hikes, cautious mood ahead of Biden-Powell meet probe USD rebound. USD/INR remains on the front foot around 77.65, refreshing intraday high, as firmer USD and oil prices weigh on Indian Rupee (INR) pair during Tuesday's Asian session. It's worth noting that the cautious sentiment ahead of the January-March India GDP and a meeting between US President Joe Biden and Fed Chair Jerome Powell also propel the quote of late.

Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	116.80	122.50			
GBP/KES	145.80	154.80	GBP/USD	1.2660	1.2690
EUR/KES	122.70	131.90	EUR/USD	1.0795	1.0795
INR/KES		1.5890	AUD/USD	0.7250	0.7240
			USD/INR	76.90	76.95
			Commodities		
			Gold	1853	1862
			Brent Crude	123.40	120.21

T-Bills Rates:

Duration	Current	Previous
91 Days	7.744%	7.758%
182 Days	8.901%	8.832%
364 Days	9.881%	9.879%

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

DISCLAIMER: Even though care and caution has been taken in the preparation of the opinions, forecasts and provision of information contained in this report, the Bank does not take any responsibilities or give any warranties as to their accuracy or completeness, nor does the bank assume liability for any losses arising from errors or omissions or the results obtained from the use of such information.