

DAILY FOREX NEWSLETTER

Tuesday 21st June 2022

Local Markets:

The Kenya's shilling weakened slightly on Monday, as dollar appetite from the energy sector outstripped supplies from exports and remittances.

Top News:

- Asian stocks and U.S. share futures turned higher on Tuesday as the market took stock after a recent steep selloff, but concerns remain that aggressive Central Bank rate hikes to curtail inflation could spark a global recession.
- Oil prices rose 1% on Tuesday, clawing back more of last week's losses as investors focused on tight supplies of crude and fuel products rather than concerns about a recession dampening demand going forward.

International Markets

USD: The euro rose on Monday as markets focused on European Central Bank tools to fight fragmentation in the currency bloc, shrugging off the risk of political gridlock in France for now after President Emmanuel Macron lost an absolute majority in a parliamentary election. The dollar was little changed at 135.03 yen, after hitting 135.44 yen in Asia Pacific trading hours, close to Wednesday's peak of 135.60, the highest since October 1998.

GBP: GBP/USD remains directed towards 1.2300 but bulls catch a breather. BOE Mann's hawkish comments underpin the GBP, focus shifts to Powell. GBP/USD is looking to build on the previous day's recovery, as bulls keep their sight on the 1.2300 barrier amid an upbeat market mood. Risk flows extend into Asia this Tuesday, as bears take a breather after last week's rout in global stocks. The improved appetite for riskier assets dulls the safe-haven appeal of the US dollar, boding well for the high-beta British pound. The sterling also continues to draw support from the hawkish comments from the BOE policymaker Catherine Mann. She said that a weak pound makes the case for a big rate hike. The BOE hiked the key policy rate by 25 bps to 1.25% at its meeting in the previous week.

EUR: EUR/USD is struggling to extend Monday's rebound in the Asian session. The US dollar corrective mode remains intact amid an improved mood. Lagarde waters down hopes for a double-dose rate hike in July. EUR/USD is preserving most of Monday's gains, consolidating below 1.0550 so far this Tuesday. Risk sentiment remains in a firmer spot, weighing negatively on the safe haven US dollar.

INR: USD/INR refreshes intraday high amid crude oil rebound, ignores softer USD. Fears of India's elevated inflation join hopes of Fed's aggression to propel the pair Juneteenth holiday, lack of major data/events failed to impress buyers. Second-tier US data, risk catalysts can provide short-term directions ahead of Powell's Testimony. USD/INR picks up bids to refresh daily top around 78.00, following a sluggish week-start, as inflation fears weigh on the Indian rupee (INR) buyers during early Tuesday.

Indicative FX rates as at 8.30am:

| Currency | Buying | Selling | Currency | Today | Previous |
|----------|--------|---------|-------------|--------|----------|
| USD/KES | 117.10 | 123.20 | | | |
| GBP/KES | 142.10 | 151.80 | GBP/USD | 1.2310 | 1.2280 |
| EUR/KES | 122.20 | 130.00 | EUR/USD | 1.0565 | 1.0560 |
| INR/KES | | 1.5980 | AUD/USD | 0.6990 | 0.6985 |
| | | | USD/INR | 77.30 | 77.20 |
| | | | Commodities | | |
| | | | Gold | 1837 | 1842 |
| | | | Brent Crude | 115.50 | 113.13 |

T-Bills Rates:

| Duration | Current | Previous |
|----------|---------|----------|
| 91 Days | 7.925% | 7.866% |
| 182 Days | 9.096% | 9.037% |
| 364 Days | 9.961% | 9.952% |
| | | |

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