

DAILY FOREX NEWSLETTER

Wednesday 31st August 22

Local Markets:

The Kenya's shilling was stable on Tuesday, and it was expected to ease due to demand for dollars from oil retailing companies and manufacturers.

Top News:

- Gold languished near a one-month low on Wednesday and was set for a fifth consecutive monthly drop, as solid U.S. data and hawkish Federal Reserve comments pointing to higher interest rates dented the non-yielding metal's appeal.
- Oil prices inched up on Wednesday as industry data showed U.S. fuel stocks fell more than expected, recovering slightly from a 5% drop on Tuesday on fears fuel demand will suffer as China steps up Covid-19 curbs and central banks hike interest rates.

International Markets

USD: The dollar edged higher but was below the 20-year high it hit a day earlier, while the euro broke back above parity, as markets priced in super-sized interest rate hikes by the U.S. Federal Reserve and the European Central Bank

GBP: GBP/USD picks up bids to print a corrective pullback from 29-month low. UK's BRC shop price inflation increased in July; business confidence hit. Political jitters, recession woes weigh on the prices amid broad US dollar strength on hawkish Fed bets. US ADP Employment Change can entertain traders ahead of Friday's US NFP. GBP/USD renews intraday high near 1.1670 as it consolidates the weekly losses around the lowest levels since March 2020 during Wednesday's Asian session. In doing so, the cable pair takes clues from the recently firmer UK data, as well as a pullback in the US dollar ahead of the ADP Employment Change release.

EUR: EUR/USD is firmly auctioning above the magical figure of 1.000 ahead of Eurozone HICP. The Eurozone HICP is seen higher at 9% vs. 8.9% reported earlier. Energy supply cuts from Nord Stream 1 pipeline to Germany could accelerate the energy crisis. The EUR/USD pair has defended the immediate support of 1.0017 and is now expected to attempt a break above the critical resistance of 1.0030. The asset is broadly trading sideways in a 0.9982-1.0056 range and may deliver a decisive move after the release of the European Central Bank (ECB)'s preferred inflation tool. The eurozone Harmonized Index of Consumer Prices (HICP) is seen higher at 9%, than the prior release of 8.9%

INR: USD/INR holds onto the previous day's downside break of the key support despite recent bounce. Bearish MACD signals direct pair sellers towards three-week-old support line. 50-SMA adds strength to the 79.85 hurdle, RSI challenges the downside. Holiday in India, cautious mood ahead of the key US employment data restrict immediate moves. USD/INR picks up bids to consolidate intraday losses around 79.60 during Wednesday's Asian session. Even so, the Indian rupee (INR) pair remains bearish for the second consecutive day amid a trading holiday in India. Also acting as a trading filter is the anxiety ahead of the early signal of Friday's US Nonfarm Payrolls (NFP), namely ADP Employment Change for August.

Indicative FX rates as at 8.30am:

| Currency | Buying | Selling | Currency | Today | Previous |
|----------|--------|---------|-------------|--------|----------|
| USD/KES | 118.50 | 125.90 | | | |
| GBP/KES | 138.10 | 147.90 | GBP/USD | 1.1705 | 1.1750 |
| EUR/KES | 118.20 | 126.90 | EUR/USD | 1.0080 | 1.0050 |
| INR/KES | | 1.6050 | AUD/USD | 0.6895 | 0.6895 |
| | | | USD/INR | 78.90 | 78.80 |
| | | | Commodities | | |
| | | | Gold | 1724 | 1735 |
| | | | Brent Crude | 100.25 | 104.32 |

T-Bills Rates:

| Duration | Current | Previous |
|----------|---------|----------|
| 91 Days | 8.767% | 8.669% |
| 182 Days | 9.532% | 9.492% |
| 364 Days | 9.910% | 9.909% |
| | | |

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