

# GLOBAL MARKETS NEWSLETTER

Thursday 14<sup>th</sup> December, 2023

## Local Markets:

The Kenyan shilling was little changed on Wednesday in slow activity, but was expected to remain under pressure due to demand for dollars from manufacturing and retail companies.

Today's expected range is 152.30 – 158.60.

## Indicative FX rates as at 8.30am:

| Currency       | Buying | Selling | Currency           | Today    | Previous |
|----------------|--------|---------|--------------------|----------|----------|
| <b>USD/KES</b> | 152.30 | 158.60  |                    |          |          |
| <b>GBP/KES</b> | 191.98 | 200.20  | <b>GBP/USD</b>     | 1.2641   | 1.2560   |
| <b>EUR/KES</b> | 164.33 | 171.60  | <b>EUR/USD</b>     | 1.0902   | 1.0790   |
| <b>INR/KES</b> |        | 1.9074  | <b>AUD/USD</b>     | 0.6725   | 0.6558   |
|                |        |         | <b>USD/INR</b>     | 83.3475  | 83.3860  |
|                |        |         | <b>Commodities</b> |          |          |
|                |        |         | <b>Gold</b>        | 2,051.15 | 1,994.25 |
|                |        |         | <b>Brent Crude</b> | 74.69    | 73.16    |

## Benchmark Rates:

| Tenor                | Current  | Previous | Next meeting             |
|----------------------|----------|----------|--------------------------|
| <b>91 Days</b>       | 15.6348% | 15.5293% | -                        |
| <b>182 Days</b>      | 15.7487% | 15.5504% | -                        |
| <b>364 Days</b>      | 15.7947% | 15.7266% | -                        |
| <b>KES INFLATION</b> | 6.80%    | 6.92%    | 30 <sup>th</sup> Dec, 23 |
| <b>KES CBR</b>       | 12.50%   | 10.50%   | 16 <sup>th</sup> Jan, 24 |
| <b>FED RATE</b>      | 5.50%    | 5.50%    | 13 <sup>th</sup> Dec, 23 |
| <b>ECB RATE</b>      | 4.50%    | 4.50%    | 14 <sup>th</sup> Dec, 23 |
| <b>BOE RATE</b>      | 5.25%    | 5.25%    | 14 <sup>th</sup> Dec, 23 |
| <b>RBI RATE</b>      | 6.50%    | 6.50%    | 07 <sup>th</sup> Dec, 23 |

## Top News

**Oil:** Oil prices rose in Asian trade on Thursday, extending previous gains, on a bigger-than-expected weekly withdrawal from U.S. crude storage and hopeful demand expectations after the Fed sent signals on lower borrowing costs in 2024. Brent futures rose 23 cents, settling at \$74.49/barrel. U.S. WTI crude rose 11 cents and settled at \$69.58/barrel.

**Asia-Pacific markets:** China stocks led declines among Asia-Pacific markets Wednesday as investors digested Beijing's plan to boost domestic demand, ahead of the Fed's interest rate decision.

## International Markets

**USD:** Most Asian currencies rose sharply on Thursday, while the dollar came close to a 4-month low after the Fed signaled it was done raising interest rates and will begin trimming borrowing costs in 2024. The Fed kept interest rates on hold as widely expected, and said it could potentially cut rates by a bigger-than-expected margin in 2024. Fed Chair Jerome Powell also flagged an acceptable amount of progress against inflation. His comments triggered steep losses in the dollar, with DXY and DXY futures falling 0.3% each in Asian trade. Both instruments were close to their weakest levels since August, at around mid-to-low 102.

**GBP:** GBP/USD surges to one-week highs above 1.2600 in early Asia. The pair's uptick is bolstered by the weaker USD and the dovish comments after the Fed meeting. Investors await the BoE monetary policy meeting, with no change in interest rate expected. The pair currently trades near 1.2634, losing 0.06% on the day.

**EUR:** EUR/USD moves on an upward trajectory that began on Monday on the back of dovish sentiment around the Fed's Interest Rate Decision. The Fed, in line with widespread expectations, decided to keep rates unchanged at 5.5% on Tuesday. EUR/USD trades around 1.0910 in Asia. The upcoming monetary policy meeting of the ECB on Thursday is expected to maintain unchanged rates. Market attention is keenly focused on the ECB's guidance for 2024, particularly any indications regarding the potential timing of rate cuts.

**USD/INR:** INR gains traction on Thursday amid USD weakness, which faces some selling pressure. Additionally, the dot plot now projects three rate cuts of 25bps each in 2024 instead of two. On the other hand, the RBI held its benchmark interest rate steady for a fifth straight policy meeting last week. Analysts anticipate the RBI to hold rates into next year and will ease the policy after the Fed begins cutting interest rates. *Source: Reuters.*

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