

GLOBAL MARKETS NEWSLETTER

Tuesday 02nd January, 2024

Local Markets:

The Kenyan shilling fell on Thursday in thin trade after Christmas holidays.

Today's expected range is 154.00 – 158.80.

Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	154.00	158.80			
GBP/KES	195.75	202.30	GBP/USD	1.2729	1.2780
EUR/KES	169.80	175.50	EUR/USD	1.1028	1.1090
INR/KES		1.9120	AUD/USD	0.6831	0.6880
			USD/INR	83.3175	83.0045
			Commodities		
			Gold	2,084.75	2,069.99
			Brent Crude	78.41	77.56

Benchmark Rates:

Tenor	Current	Previous	Next meeting
91 Days	15.9829%	15.8831%	-
182 Days	15.9667%	15.9715%	-
364 Days	16.1000%	15.9012%	-
KES INFLATION	6.60%	6.80%	30 th Dec, 23
KES CBR	12.50%	10.50%	16 th Jan, 24
FED RATE	5.50%	5.50%	
ECB RATE	4.50%	4.50%	1 st Feb, 24
BOE RATE	5.25%	5.25%	
RBI RATE	6.50%	6.50%	

Top News

Oil prices jumped 1.5% in the first session of the 2024, due to potential supply disruptions in the Middle East after a naval clash in the Red Sea, hopes of strong holiday demand and an economic stimulus in China. Brent crude rose \$1.20 to \$78.24/barrel while U.S. WTI crude was at \$72.66/barrel.

Asia-Pacific markets: Asia-Pacific markets were mixed on the first trading day of the year, with China stocks dipping and Australian markets nearing its all time high. Official data showed China's manufacturing PMI contracted further in December 2023, in a sign that more policy support was likely needed to revive its economy.

International Markets

USD: The Fed's dovish December pivot has boosted the case for the weakening dollar to keep falling into 2024, though strength in the U.S. economy could limit the decline. After soaring to a 2-decade high on the back of Fed rate hikes in 2022, the currency has been largely range-bound this year on the back of resilient U.S. growth and the Fed's vow to keep borrowing costs elevated. DXY was on track for a 2% loss this year, its first yearly decline since 2020.

GBP: GBP/USD posts modest losses in early Asia. The modest USD rebound lends some support to the pair, currently trading near 1.2725. Traders bet on aggressive rate cuts, starting as early as March. Markets price in 88% odds for rate cuts in March, according to the CME Group's FedWatch tool and investors price as many as six 0.25 bps rate cuts in 2024. The next BoE monetary policy meeting will be on Feb 1.

EUR: EUR/USD hovers near 1.1030 in Asia, pulling back from the recent high of 1.1139. In 2023, the pair closed at 1.1036, up 3.16% after two years of decline. The pair received upward support in the previous quarter as the market recently witnessed a decline in US inflation. Consumer Inflation declined in November but yearly figures remain above 2.0%. This could reinforce the ECB's hawkish stance and provide solid Euro support.

INR: INR trades on a soft note. India's Finance Ministry said on Friday that India's economy is projected to surpass the government's 6.5% estimate in FY24. Additionally, the relatively steady INR with substantial foreign currency reserves encourages confidence in the country's external sector. The INR is likely to be influenced by the US Dollar (USD) dynamic this week while traders keep an eye on the US labor data, including US NFPs, Unemployment Rate, and Average Hourly Earnings, due on Friday. **Source: Reuters.**

For further enquiries, kindly contact: Joseph Nyamache /Daniel Yegon/Ryan Akalah, Direct Lines: +254 111 030 600/626/680/681,

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