GLOBAL MARKETS
NEWSLETTER

Thursday 04th January, 2024

Local Markets:

The Kenyan shilling held steady in muted trading on Wednesday. The shilling typically draws support from dollar inflows from tourism, remittances and sales of agricultural produce, while foreign currency demand from the energy, manufacturing and telecoms sectors may weaken it, if this demand outweighs supply.

Today's expected range is 156.00 – 158.90.

Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	156.00	158.90			
GBP/KES	197.51	201.80	GBP/USD	1.2667	1.2633
EUR/KES	170.37	174.10	EUR/USD	1.0927	1.0953
INR/KES		1.9113	AUD/USD	0.6741	0.6765
			USD/INR	83.3100	83.3225
			Commodities		
			Gold	2,051.40	2,072.65
			Brent Crude	78.81	75.73

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%	30th Dec, 23
KES CBR	12.50%	10.50%	16th Jan, 24
FED RATE	5.50%	5.50%	
ECB RATE	4.50%	4.50%	1st Feb, 24
BOE RATE	5.25%	5.25%	
RBI RATE	6.50%	6.50%	

Top News

Oil prices rose on Thursday, adding to solid gains yesterday on persisting concerns over Middle Eastern supply following disruptions at a field in Libya and heightened tension around the Israel-Gaza war. Brent crude rose to $78.63/barrel, while U.S. WTI crude futures rose to $73.22.

Asia-Pacific markets: China led losses in Asia-Pacific on Thursday, followed by Japan stocks which resumed trading after an extended New Year's holiday during which the country witnessed an earthquake and an accident involving Japan Airlines.

International Markets

USD: Most Asian currencies kept to a flat-to-low range on Thursday, while uncertainty over the Fed's plans for interest rate cuts in 2024 saw the dollar rebound to a three-week high. The minutes of the Fed's December meeting provided little clarity on the bank's plans for rate cuts this year, which further unsettled risk appetite after a weak start to 2024 for financial markets.

GBP: GBP/USD fails to capitalize on yesterday's modest recovery from the vicinity of 1.2600, or a near 3-week low and oscillates narrowly in Asia. Spot prices currently trade around 1.2660, nearly unchanged for the day. GBP is undermined by pessimism among UK business leaders about the economy and are pushing the BoE to start cutting rates early this year. In fact, the money market pricing suggests that traders expect around 140 bps of rate cuts in 2024. Apart from this, a modest USD strength acts as a headwind for the pair.

EUR: EUR/USD remains defensive in early Asia. The backdrop of the stronger Greenback and higher US T-bond yields exert selling pressure on the pair. At press time, EUR/USD trades at 1.0922. On Wednesday, the German Unemployment Rate remained steady at 5.9%, as estimated. The Unemployment Change showed that the number of unemployed people increased by 5K against the market consensus of 20K and in the previous reading of 21K. Investors await the Eurozone inflation report on Friday for fresh impetus.

INR: INR continues to trade softer amid the stronger USD. Goldman Sachs India Chief Economist Santanu Sengupta said that India's positive perspective is fueled by expectations of substantial foreign capital inflows, especially as the RBI continues to accumulate inflows and build currency reserves at every possible opportunity. However, given the global economic picture, the road ahead may be challenging. Furthermore, India's mid-2024 election will be closely watched as it could impact investor sentiment. *Source: Reuters.*

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