

# GLOBAL MARKETS NEWSLETTER

Tuesday 09<sup>th</sup> January, 2024

## Local Markets:

The Kenyan shilling weakened on Monday, undermined by a general increase in demand for dollars from across all sectors of the economy and slowing inflows.

Today's expected USD/KES trading range is 156.50 – 159.85.

## Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	156.50	159.85			
GBP/KES	199.35	204.20	GBP/USD	1.2740	1.2670
EUR/KES	171.35	175.60	EUR/USD	1.0948	1.0930
INR/KES		1.9261	AUD/USD	0.6709	0.6741
			USD/INR	83.1150	83.1710
			Commodities		
			Gold	2,037.35	2,037.65
			Brent Crude	76.09	77.62

## Benchmark Rates:

Tenor	Current	Previous	Next meeting
91 Days	16.0589%	15.9829%	-
182 Days	16.0915%	15.9667%	-
364 Days	16.2786%	16.1000%	-
KES INFLATION	6.60%	6.80%	30 <sup>th</sup> Jan, 24
KES CBR	12.50%	10.50%	16 <sup>th</sup> Jan, 24
FED RATE	5.50%	5.50%	
ECB RATE	4.50%	4.50%	1 <sup>st</sup> Feb, 24
BOE RATE	5.25%	5.25%	
RBI RATE	6.50%	6.50%	

## Top News

**Oil** prices rose slightly on Tuesday after sliding in the previous session, as markets weighed Middle East tensions against demand worries and rising OPEC supply. Brent crude futures rose to \$76.30/barrel, while U.S. WTI crude futures inched up 0.1%, to \$70.83/barrel.

**Asia-Pacific markets** rose across the board Tuesday, rebounding from a sell-off in the previous session, with the Nikkei-225 hitting a 33-year high. Investors assessed December inflation numbers for Tokyo, which are a leading indicator for nationwide inflation. Tokyo's inflation rate slowed to 2.4% in December from 2.6% in November.

## International Markets

**USD:** Most Asian currencies kept to a tight range on Tuesday but saw some relief as the dollar was hit with profit-taking before inflation data sets to offer more cues on rate cuts this year. Regional currencies marked a weak start to the year as markets questioned the potential for early Fed rate cuts. This uncertainty was exacerbated by resilience in the U.S. labor space, giving the Fed less loosening impetus.

**GBP:** GBP/USD traded in positive territory for the 5<sup>th</sup> day in early Asia. Positive risk-on sentiment and a slight USD decline support the pair's uptick. GBP/USD trades around 1.2759. A former member of the BoE MPC, DeAnne Julius, said the bank will not be in a position to begin cutting rates in 2024 and that escalating Middle East tensions could contribute to a new round of energy price rises, resulting in a new inflation shock.

**EUR:** EUR/USD trades with a positive bias for the second day but lacks follow-through and remains confined in yesterday's broader range. Spot prices draw support from a softer tone surrounding the USD and benefit from expectations that the ECB will keep interest rates high for some time, bolstered by the expected jump in Eurozone inflation last month. ECB's Boris Vujcic said the bank does not foresee cutting interest rates before summer and anticipates a gradual reduction in Eurozone inflation. That said, markets fully priced a 25 bps ECB rate cut by April, a headwind for EUR/USD.

**INR:** INR kicks off the week on a positive note. Foreign capital inflows and the RBI's intervention have supported the INR from any major depreciation. The government revealed the First Advance Estimates of India's GDP on Friday. The report suggested that India's GDP will expand by 7.3% in 2023/24, slightly faster than the 7.2% growth in 2022/23. *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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