

GLOBAL MARKETS NEWSLETTER

Thursday 08th February 2024

Local Markets:

The Kenyan shilling gained ground slightly on Wednesday, after the Central Bank governor said it had overshot its equilibrium rate and there could be scope to support it.

Today's expected USD/KES trading range is 158.50 – 163.50.

Indicative FX rates as at 8.30am:

| Currency | Buying | Selling | Currency | Today | Previous |
|----------|--------|---------|-------------|----------|----------|
| USD/KES | 158.50 | 163.50 | | | |
| GBP/KES | 199.71 | 206.80 | GBP/USD | 1.2626 | 1.2606 |
| EUR/KES | 170.46 | 176.60 | EUR/USD | 1.0783 | 1.0765 |
| INR/KES | | 1.9756 | AUD/USD | 0.6519 | 0.6530 |
| | | | USD/INR | 82.9800 | 82.9770 |
| | | | Commodities | | |
| | | | Gold | 2,048.20 | 2,050.10 |
| | | | Brent Crude | 79.44 | 78.66 |

Benchmark Rates:

| Tenor | Current | Previous | Next meeting |
|---------------|----------|----------|--------------------------|
| 91 Days | 16.3747% | 16.2903% | - |
| 182 Days | 16.5058% | 16.3756% | - |
| 364 Days | 16.6801% | 16.5225% | - |
| KES INFLATION | 6.90% | 6.60% | 30 th Mar, 24 |
| KES CBR | 13.00% | 12.50% | 19 th Mar, 24 |
| FED RATE | 5.50% | 5.50% | |
| ECB RATE | 4.50% | 4.50% | 25 th Jan, 24 |
| BOE RATE | 5.25% | 5.25% | 01 st Mar, 24 |
| RBI RATE | 6.50% | 6.50% | |

Top News

Oil extended gains on Thursday after Israel rejected a ceasefire offer from Hamas, while a weaker dollar also supported prices. Brent crude futures rose to \$79.51/barrel. U.S. WTI crude futures climbed to \$74.12/barrel.

Asia-Pacific markets: The Reserve Bank of Australia left its official cash rate unchanged at 4.35%, as was expected. The S&P/ASX 200 extended losses from Monday, closing 0.6% lower at 7,581.60, while AUD strengthened 0.5% against the U.S. dollar.

International Markets

USD: Most Asian currencies advanced slightly on Thursday as the dollar and Treasury yields pulled further away from recent peaks, although persistent signs of deflation in China kept sentiment subdued. Markets now await more cues on U.S. interest rates after largely dialing back expectations for early rate cuts, following robust economic readings and hawkish Fed comments. DXY and DXY futures fell 0.1% each in Asia, extending sharp overnight declines. U.S. inflation for January, due next week, is now in focus for more cues on rates.

GBP: GBP/USD gains traction in early Asia. The pair's uptick is bolstered by rising house prices in the UK, supporting bets that the BoE was not likely to cut interest rates soon. BoE's Catherine Mann is set to speak today. GBP/USD trades at 1.2630, up 0.05% on the day. Market players will keep an eye on the US weekly Initial Jobless Claims, and Wholesale Inventories and speeches by the Fed's Barkin (Richmond) and Mann. Traders will take more cues from these events and find trading opportunities around the pair.

EUR: EUR/USD saw a thin grind higher on Wednesday amidst a mid-day dip-and-rally in the US session followed by slim recovery into the day's mid-range. The pair tested back into familiar territory near 1.0750 after touching a minor intraday high of 1.0784. European economic figures continue to soften, with multiple mid-week prints missing expectations. Rate cut seekers will be keeping a close eye on Thursday's ECB Economic Bulletin for clues about how close the it is to giving markets a rate cut after rates in the euro area hit their current peak last September.

INR: INR trades on a stronger note on Thursday amid the weaker USD and a drop in US bond yields. RBI governor Das said the bank's MPC decided to maintain status quo on the key interest rate on Thursday. The MPC decided by a 5 to 1 majority to keep the repo rate unchanged at 6.5% for the sixth time as inflation approaches the upper tolerance level of 6%. **Source: Reuters.**

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