

# GLOBAL MARKETS NEWSLETTER

Friday 09<sup>th</sup> February 2024

## Local Markets:

The Kenyan shilling gained ground on Thursday, helped by foreign investor inflows in to an infrastructure bond and comments from the Central Bank that the currency had overshot its equilibrium rate.

Today's expected USD/KES trading range is 158.50 – 163.00.

## Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	158.50	163.00			
GBP/KES	199.83	206.50	GBP/USD	1.2616	1.2626
EUR/KES	170.59	176.10	EUR/USD	1.0770	1.0783
INR/KES		1.9756	AUD/USD	0.6497	0.6519
			USD/INR	83.0090	82.9800
			Commodities		
			Gold	2,047.85	2,048.20
			Brent Crude	81.47	79.44

## Benchmark Rates:

Tenor	Current	Previous	Next meeting
91 Days	16.5038%	16.3747%	-
182 Days	16.6331%	16.5058%	-
364 Days	16.8574%	16.6801%	-
KES INFLATION	6.90%	6.60%	30 <sup>th</sup> Mar, 24
KES CBR	13.00%	12.50%	19 <sup>th</sup> Mar, 24
FED RATE	5.50%	5.50%	
ECB RATE	4.50%	4.50%	25 <sup>th</sup> Jan, 24
BOE RATE	5.25%	5.25%	07 <sup>th</sup> Mar, 24
RBI RATE	6.50%	6.50%	

## Top News

**Oil** prices were little changed on Friday, on track for weekly gains, with Middle East tensions persisting after Israel rejected a ceasefire offer from Hamas. Brent crude futures slipped to \$81.62/barrel, while U.S. WTI crude futures rose 3 cents to \$76.25/barrel.

**Asia-Pacific markets:** Japan's Nikkei hit fresh 34-year highs, while most Asia-Pacific markets were either fully or partially closed for Lunar New Year holidays. The Nikkei 225 breached 37,000 for the first time in 34 years, rising 0.4%, while the Topix was flat.

## International Markets

**USD:** USD rose Thursday after unemployment benefits data pointed to a resilient U.S. labor market, reinforcing the Fed's message that rates are unlikely to be cut in the near term. DXY was last up 0.14% at 104.16, after hitting 104.43 following the initial claims report.

**GBP:** GBP/USD struggles to capitalize on yesterday's goodish bounce of around 50 pips from 1.2570's and oscillates narrowly in Asia's session. The rising prospect of the BoE reducing interest rates in 2024 holds back traders from placing aggressive bullish bets around the GBP. In fact, Governor Bailey noted last week that things are heading in the right direction and that the current level of rates remains appropriate. Adding to this, Chief economist Pill said earlier this week that the rate could drop this year as a reward to the economy for bringing down inflation.

**EUR:** EUR/USD trades weak in early Asia. The pair remains capped within the 1.0770/80 band. German inflation data will be the highlight today. ECB Chief Economist, Philip Lane, stated Thursday that data suggests near-term disinflation is occurring faster than expected, but further progress is required to get to 2% goal. Meanwhile, ECB Governing Council member Pierre Wunsch said that there were some hopeful signs on wages, but not enough for the ECB to start rolling back restrictive policies. Wunsch added that he would prefer to wait for more data before cutting rates.

**INR:** INR trades flat with mild positive bias on Friday despite renewed USD demand and higher US bond yields. INR's uptick is supported by Dollar sales from local private banks but pared gains after a dip in buying. During the press conference, India's MPC acknowledged progress on inflation as CPI has started easing. Nonetheless, the ongoing geopolitical tensions in the Middle East, intermittent spikes led by food price volatility, and global interest rate uncertainty were cited as risks to inflation. Markets anticipate the first rate cut by the RBI at the June meeting after the new government is formed. *Source: Reuters.*

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