

# GLOBAL MARKETS NEWSLETTER

Monday 19<sup>th</sup> February 2024

## Local Markets:

The Kenyan shilling strengthened on Friday but at a slower pace than a day earlier, helped by dollar inflows from the agriculture sector and small and medium businesses.

Today's expected USD/KES trading range is 142.40 – 149.60.

## Indicative FX rates as at 8.30am:

Currency	Buying	Selling	Currency	Today	Previous
USD/KES	142.40	149.60			
GBP/KES	179.72	189.83	GBP/USD	1.2615	1.2565
EUR/KES	153.53	161.90	EUR/USD	1.0780	1.0728
INR/KES		1.8062	AUD/USD	0.6540	0.6487
			USD/INR	82.9980	83.0050
			Commodities		
			Gold	2,032.70	2,005.45
			Brent Crude	82.83	82.67

## Benchmark Rates:

Tenor	Current	Previous	Next meeting
91 Days	16.5539%	16.5038%	-
182 Days	16.7155%	16.6331%	-
364 Days	16.9188%	16.8574%	-
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 fell as investor attention returned to demand outlook after reports of higher U.S. PPI stoked worries that sticky inflation and higher interest rates would limit fuel consumption growth. Brent crude futures were down at \$82.86/barrel and U.S. WTI crude \$78.78.

**Asia-Pacific markets:** China stock markets rose as traders returned from a long holiday on Monday to upbeat travel data, while Hong Kong stocks fell. The CSI 300 added 0.5% as trading resumed with consumer spending higher than pre-Covid levels. Tourism stocks led the gains, rising 1.2%.

## International Markets

**USD:** Most Asian currencies kept to a tight range on Monday, while USD steadied near 3-month highs as more signs of sticky U.S. inflation saw traders largely phase out expectations of early rate cuts. DXY and DXY futures hovered near 3-month highs in Asia, after PPI data released on Friday read higher than expected for January.

**GBP:** GBP/USD trends upwards as USD experiences downward pressure, influenced by market sentiment leaning towards anticipation of a Fed rate cut in March. In Asia trading, GBP/USD trades higher around 1.2620. The UK is officially in technical recession, given two consecutive quarters of negative GDP growth. BoE policymaker Catherine Mann mentioned that the bank needs at least one more set of inflation data before determining its next course of action.

**EUR:** EUR/USD trades stronger below 1.0800 in early Asia. Investors await FOMC Minutes and Eurozone PMI this week for fresh impetus. US markets are closed on Monday due to the President's Day holiday. ECB President Lagarde said disinflation would have to advance further for the bank to be sure it is sustainable. Lagarde warned against lowering interest rates too soon because wages may drive up inflation again later this year. Markets price in 113 bps of rate cuts this year, down from 150 bps just weeks ago.

**INR:** INR gathers strength on Monday amid USD decline. India's positive economic outlook provides some support to the INR. The IMF said in its latest World Economic Outlook update that economic growth in India was projected to remain strong at 6.5% in 2024 and 2025. Japan has unexpectedly slipped into a recession, but India still shines as a 'bright spot' globally. The IMF forecasts that India GDP will surpass both Japan and Germany in 2026 and 2027, respectively. Geopolitical tension in the Middle East and economic headwinds might cap the upside of INR and drag the pair lower. *Source: Reuters.*

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