DOMESTIC NEWS

The Kenyan Shilling lost ground against the U.S. dollar in a quiet Wednesday trading session due to broad based hard currency demand.

The session witnessed demand for USD from players across various sectors in the economy amid subdued foreign currency inflows. USD/KES pair closed a few cents higher from previous day close.

As we come to the end of the week, we expect the USD/KES pair to be guided by the flows, barring any market moving news.

INTERNATIONAL NEWS

The U.S. dollar was stronger during the European session but moved lower in the New York session after the rate decision by the FED and the statement from the Chairman. The Federal Reserve left rates steady as expected in the 5.25%-5.50% range. Following the comments from the FED Chairman, investors interpreted it to mean that further rate hikes might not be forthcoming as the press briefing was laced with mixed messages. Bets on a rate hike in December and January have now been pared back after the statement. On the data front U.S ADP and ISM data revealed potential weaknesses in the U.S. economy. Market now switches focus to jobs data expected today

The Euro initially dropped to a 4-session low on Wednesday but later rebounded as the Federal Reserve maintained its rates, pushing the US Dollar lower. Euro zone bond yields also declined, mirroring the trend in the U.S.

The GBP/USD pair gained strength following the Fed's decision to keep rates steady. The British pound remains resilient before the Bank of England’s rate decision and it is expected that they will leave rates steady at 5.25%. This "high-for-longer“ policy may support the pound, but it depends on the MPC vote split and economic projections.

The Japanese yen rebounded from a one-year low, as government officials hinted at potential currency market intervention, as well as benefitting from the Dollar being under pressure after the Fed’s announcement. It however, still remains above the psychological 150 level.

Source: Bloomberg