

## DOMESTIC NEWS

The Kenya shilling held its ground against the U.S. dollar on Tuesday.

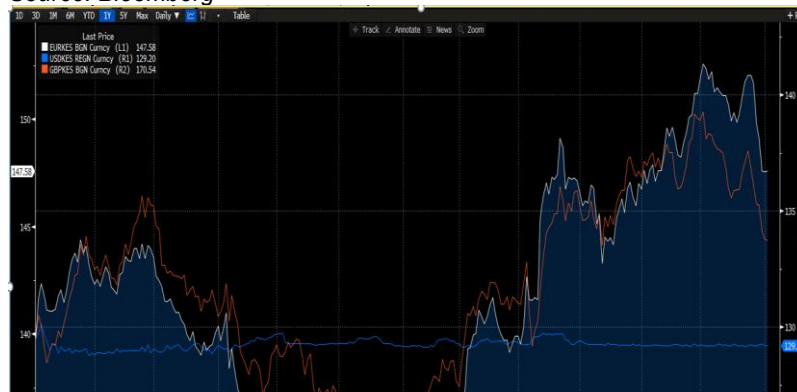
Dwindling corporate dollar demand was well matched by foreign currency inflows from various sectors of the economy leaving the USD/KES currency pair unchanged from its previous close. The Monetary Policy Committee (MPC) cut the Central Bank Rate (CBR) by 25 basis points to 9.50% aimed at stimulating lending by banks to the private sector and supporting economic activity while ensuring inflationary expectations remain firmly anchored with exchange rate stability. Markets now await the results of the twin bond auction due later today.

The local unit seems rather comfortable in the current ranges and is expected to hold within the same band through the day in the absence of any new market moving information.

Amounts	Spot Rates		Forward Rates	
"100,000"	Opening		USD/KES	
	Buy TT	Sell TT		
USD/KES	125.00	133.50	1 month	125.70 134.20
EUR/KES	140.93	160.66	3 Months	127.10 135.60
GBP/KES	165.39	183.91	6 Months	129.20 137.70
JPY/KES	80.87	92.87	12 Months	133.40 141.90

Money Market Rates	Previous	Current	Change Bps
Interbank rate	9.60%	9.64%	+4.00
91-Day T-bill	8.1168%	8.1106%	-0.62
182-Day T-bill	8.4186%	8.4095%	-0.91
364-Day T-bill	9.7193%	9.7178%	-0.15
Inflation Rate	3.80%	4.10%	+30.00

Source: Bloomberg



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## INTERNATIONAL NEWS

The US Dollar came under pressure, reacting immediately to the Consumer Price Index data which came in mildly softer than expected which ramped up bets that the FED will cut rates in September. CPI rose by 2.70% in the twelve months to July, unchanged from June and slower than expectation of 2.8%. On a monthly basis, the CPI and the core CPI rose by 0.2% and 0.3%, respectively, to match analysts' estimates. Finally, the annual core CPI increased by 3.1%, following the 2.9% rise recorded in June and coming in above the market consensus of 3%. This relatively benign inflation could partly allay fears that some Federal Reserve policymakers have that U.S. President Donald Trump's aggressive tariff agenda could drive up inflation.

The Euro edged higher against the US Dollar on Tuesday, snapping a two-day losing streak after mixed US inflation data for July showed headline figures that matched expectations and came in slightly below forecasts on the annual measure, while core inflation surprised to the upside on both monthly and annual readings.

GBP/USD gained ground on Tuesday, climbing around one-half of one percent after economic releases from both the United Kingdom and the United States tilted the scales in favour of the Pound Sterling over the US Dollar. UK labour data broadly came in better than expected, with the number of new unemployment benefits seekers declining by 6.2K versus the expected 20.8K addition. Average Earnings also rose slower than expected, helping to trim the top-off of inflation expectations. On the US side, Consumer Price Index inflation data from July showed a complete lack of improvement but still came in cool enough to keep market expectations of a September interest rate cut on the rails.

The Japanese Yen stuck to intraday losses through the early trading session today and remained close to over a one-week low touched against its American counterpart the previous day. The uncertainty over the likely timing of the next interest rate hike by the Bank of Japan, along with the underlying bullish sentiment, turned out to be key factors undermining demand for the safe-haven JPY.

Indicative Deposit Rates			
Amounts > KES 20 million		Amounts > 100,000	
Tenor	KES	USD	EURO
Call	6.10%	0.05%	0.10%
1 month	5.20%	0.10%	0.15%
3 months	5.20%	0.15%	0.25%
6 months	5.65%	0.20%	0.30%
Indicative Cross Rates			
CCY	Buy	Sell	
EUR\USD	1.1000	1.2200	
GBP\USD	1.2900	1.4000	
USD\JPY	140.00	154.00	