

DOMESTIC NEWS

The domestic unit remained firm against the dollar in a rather muted trading session on Friday.

Market activity was subdued, with most of the volume driven by corporate participants. Balanced flows across both buy and sell counters led the shilling to close at the same levels.

In the near term, we expect the home unit to remain range bound, with directionality dictated by flows from key sectors.

Amounts "100,000"	Spot Rates		Forward Rates		
	Opening		USD/KES		
	Buy TT	Sell TT		Buy	Sell
USD/KES	126.00	132.00	1 month	126.50	134.20
EUR/KES	141.50	161.30	3 Months	127.10	135.60
GBP/KES	166.10	184.75	6 Months	129.20	137.70
JPY/KES	81.20	93.30	12 Months	133.40	141.90

Money Market Rates	Previous	Current	Change Bps
Interbank rate	9.46%	9.45%	-1.00
91-Day T-bill	7.9865%	7.9716%	-1.49
182-Day T-bill	8.0331%	8.0194%	-1.37
364-Day T-bill	9.5790%	9.5483%	-3.07
Inflation Rate	4.10%	4.50%	+40.00

Source: Bloomberg



INTERNATIONAL NEWS

The U.S. dollar edged marginally higher Friday but was on track for a losing week as weak employment data and benign consumer price increases kept traders expecting a Federal Reserve interest rate cut this week with some even expecting a bigger cut. Caution over the scale of the Fed's easing, plus the central bank's outlook on future has kept the market on tenterhooks. According to Fed fund futures, markets are pricing in a 96.4% chance the Fed will cut rates by 25 basis points during its September 16-17 meeting, and a 3.6% chance for a 50-bps cut. No major data releases are due today, and market are likely to keep steady.

EUR/USD remained steady on Friday, ending the week with modest gains of over 0.18% as traders brace for the next week's monetary policy decision by the Fed. The ECB held rates unchanged, adopting a meeting-by-meeting and data-dependent approach, while not pre-committing to a set path on interest rates. Given the backdrop, the EUR/USD bias is tilted to the upside as the interest rate differential between the US and Europe will be lower thus favouring the Euro.

The GBP came under selling pressure against major currencies on Friday following the release of the UK's July GDP and factory output data, but it was well supported later in the New York session. According to the Office for National Statistics, the economy showed no growth in July, in line with expectations, after a 0.4% expansion in June. Manufacturing output fell by 1.3% month-on-month, compared to forecasts of no change, following a 0.5% rise in June. Industrial production also dropped 0.9% MoM, against expectations for it to remain steady. Looking ahead, the next key driver for Sterling will be employment data for the three months to July, due for release on Tuesday.

The JPY edged higher against a bearish US Dollar on Monday, though it lacked follow-through as Japan markets were closed today. The latest political development in Japan has fuelled uncertainty over the likely timing and the pace of interest rate hikes by the BoJ. This, along with a generally positive tone around the equity markets, turns out to be another factor undermining the safe-haven JPY.

Indicative Deposit Rates			
Amounts > KES 20 million		Amounts > 100,000	
Tenor	KES	USD	EURO
Call	3.30%	1.10%	0.10%
1 month	4.80%	2.35%	0.15%
3 months	4.80%	2.35%	0.25%
6 months	4.85%	2.20%	0.30%
Indicative Cross Rates			
CCY	Buy	Sell	
EUR\USD	1.1220	1.1960	
GBP\USD	1.3050	1.3920	
USD\JPY	143.20	152.60	
USD\CHF	0.7600	0.8500	