

DOMESTIC NEWS

The domestic unit held steady against the dollar in a rather active trading session on Wednesday.

Market activity remained in a lull, with most of the volume driven by corporate participants. The local currency remained steady, supported by balanced flows across the counters. The Bond auctions yesterday were successful, garnering bids worth KES 97Bln against KES 40Bln offered and a total of KES 61Bln was accepted for 12.8 and 22.2 years to maturity bonds.

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

Amounts	Spot Rates		Forward Rates		
"100,000"	Opening		USD/KES		
	Buy TT	Sell TT		Buy	Sell
USD/KES	126.00	132.00	1 month	126.50	134.20
EUR/KES	142.97	160.58	3 Months	127.10	135.60
GBP/KES	167.46	186.36	6 Months	129.20	137.70
JPY/KES	81.04	93.38	12 Months	133.40	141.90

Money Market Rates	Previous	Current	Change Bps
Interbank rate	9.47%	9.44%	-3.00
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



ISSUED BY NCBA, NAIROBI P.O. BOX 30437, TEL 2884000, 2734555, 2734661-5 FAX # 2734616, REUTERS DEALING - CBAF, REUTERS INFORMATION CBAF. This Newsletter is produced as a service to our clients. It is prepared by our dealing professionals & is based on their understanding & interpretation of market events. The bank cannot however be held responsible for any losses of whatever nature sustained as a result of action taken based on comments contained in this publication

INTERNATIONAL NEWS

The US Dollar gained ground after Wednesday's FOMC rate decision, as it attempted to claw back a portion of this week's losses. The Fed announced a gentle quarter-point interest rate cut to 4%-4.25%, something many market watchers had anticipated following months of pressure from the White House. This marks the Fed's first rate cut in nine months. The Fed's Summary of Economic Projections also indicated that Fed policymakers foresee more rate adjustments with two additional quarter-point cuts this year. The dot plot suggests that most policymakers anticipate interest rates will reach about 3.5-3.75% by the end of the year. Markets now await jobless claims and Philly Fed Manufacturing index today.

The Euro reversed course and dropped against the US Dollar amid a perceived hawkish cut of 25 bps by the Fed on Wednesday. The Eurozone docket featured the Harmonized Index of Consumer Prices (HICP) for August came at 2% YoY, below forecasts and July's 2.1% print. Core HICP was aligned with estimates and unchanged from the previous reading of 2.3%. Markets await speeches from ECB officials today.

GBP/USD surged into its highest in eleven weeks on Wednesday but lost ground back to the opening levels, after the Fed delivered its first interest rate cut of the year. August's inflation in the UK came in line with estimates at 3.8% YoY. Core CPI cooled from 3.8% to 3.6% YoY, and both reported readings were aligned with the BoE's latest projections. The Bank of England will announce its rate decision today with markets expecting the MPC to vote 7-2 to keep rates unchanged.

The Japanese Yen fell on Thursday as the US Dollar strengthened, extending losses after the FOMC meeting that pulled the Yen from its July 7 peak. Fresh data showed Japan's Core Machinery Orders dropped 4.6% in July from the prior month, while annual growth slowed to 4.9% from 7.6% in June. The weaker-than-expected figures added pressure on the Yen during Asian trading.

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