



NAIROBI, July 17 (Reuters) –

Kenyan shilling steady after central bank dollar sales

The Kenyan shilling was steady in cautious trading on Wednesday after the central bank sold dollars for the second day running to support the ailing local currency.

At 0751 GMT commercial banks quoted the shilling at 86.65/85 to the dollar, barely changed from Tuesday's close of 86.70/90. "Monetary authorities have shown they're keen to prop up the shilling. That will keep the shilling supported below 87 for now," said a trader at one commercial bank.

The central bank sold unspecified amounts of dollars on Monday and Tuesday after the shilling lost 2 percent in the first half of July, hit by a globally stronger dollar and unrest in Egypt, the biggest buyer of Kenyan tea.

Traders said the shilling would remain under pressure in coming days despite authorities' efforts to support it by selling dollars and actively mopping liquidity, due to a growing current account deficit, already above 12 percent of GDP.

Technical analysis of the shilling's 21-day and 50-day weighted moving averages show the shilling is expected to stay on a weakening path against the dollar in the near term. "The continuous selling of dollars by the central bank has sent a signal to the market that they are not willing to see the shilling weaken further," said Bank of Africa in a daily note. "The question we all might be asking is how sustainable will intervention by the central bank (be to) hold the shilling, bearing in mind the current fundamentals that are pointing towards a weaker shilling."