



GLOBAL FX MARKET

USD: The dollar surged on Friday (26/02/2021), recovering from an almost seven-week low in the prior session, as soaring US Treasury yields lent some optimism to the greenback. Expectations of a robust economic recovery fuelled by the vaccines' rollout and more government stimulus triggered inflation concerns, which, in turn, drove the US long-term yields. The dollar improved by 0.33% and 0.15% against the pound and the euro respectively. In the week ahead, another round of fiscal stimulus is expected to come and the Federal Reserve seemingly content to continue its pace of the bond purchases and near-zero interest rates. We therefore expect inflation expectations and bond yields to fall again somewhat which could weaken the dollar.

GBP: The Pound fell sharply from three-year highs as a bond market escalated, leading short and long-term borrowing costs into a destabilizing rally that prompted a partial reversal of almost all recent exchange rate trends. This was after a weeks-long rout in the U.S. government bond market spilled over into other markets. The pound ended the week as the worst performer declining by 0.33% and 0.34% against the dollar and the euro respectively. We expect the pound to rebound supported by hopes of a quicker economic recovery helped by the UK's rapid pace of vaccinations and a post-Brexit trade deal with the EU.

EUR: The euro depreciated against the dollar but was up against the pound on Friday (26/02/2021), having touched its strongest level in a month due to optimism surrounding lockdowns ending and economies re-opening. The euro dipped by 0.15% against the pound while it gained 0.63% against the pound. We expect the euro to remain stable as investors remained cautious ahead of key speeches by several ECB officials, including remarks from President Christine Lagarde. On Friday, policymaker Yannis Stournaras openly called for an increase to the pace of bond purchases. Also, Philip Lane and Isabel Schnabel have signaled that the central bank stands ready to provide more support, if rising yields hurt the Eurozone recovery.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.74 USD1; GHS: 7.99 GBP1; GHS: 6.95 EUR1

-In the just ended week, the Ghana cedi went up against all the tracked currencies in our basket. The cedi inched up by 0.37% against the dollar. Against the pound and the euro, it also advanced by 0.98% and 0.39% respectively.

- The cedi was slightly higher on Friday (26/02/2021), holding on to gains it made in the previous session after Ghana became the first country to receive Covid-19 vaccines through the World Health Organization's COVAX program which assured investors of a quicker economic recovery.

-The local unit gained support as Government accepted GH¢3.0 billion from the 2-year bond auctioned last week as there were immense foreign investor participation in the debt instrument which improved forex reserve.

-The Central Bank's effort through regulation and FX auction also helped the cedi improved against the hard currencies

-In the week ahead, we expect the cedi to remain stable as traders focused on the acceleration of coronavirus vaccinations and the outlooks for economic growth.

SOUTH AFRICA: ZAR: 14.84 USD1; ZAR: 20.68 GBP1; ZAR: 18.03: EUR1

-In the week under review, the rand fell against all the tracked currencies in our basket. The rand dropped by 1.85% and 1.58% against the dollar and the pound respectively. It also dipped by 2.16% against the pound.

- The South African rand reversed its course to trade lower against the greenback, its lowest level since February on Friday (26/02/2021), as investors remain cautious over the path of recovery outlined by South African Finance Minister Tito Mboweni in his budget speech.

-Mboweni announced up to 19.3 billion rand (\$1.33 billion) of spending on coronavirus vaccines and forecast a deficit of 14% of gross domestic product this fiscal year, while repeating promises to cut down on expenditure.

- The Treasury also announced steep reduction to issuing debt in the local market after leaning heavily on investors for short-term cash in 2020 to fund the revenue shortfall triggered by COVID-19 and subsequent lockdowns.

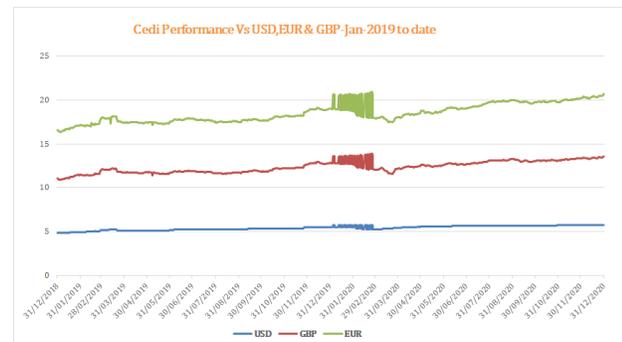
-We therefore expect the rand remain stable as all investors are enthusiastic about the economic recovery path painted by the budget.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGIO N	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3976	0.33	1.2121	0.15
Europe	0.8250	(0.15)	1.1487	0.63	1.000	0.00
UK	0.7155	(0.33)	1.000	0.00	0.8686	(0.34)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7374	0.37	7.9945	0.98	6.9545	0.39
Nigeria	379.500	0.00	528.416	0.53	459.650	0.22
Kenya	109.800	(0.23)	154.836	(1.40)	133.832	(1.15)
BCEAO*	540.500	0.28	753.250	0.56	655.96	0.00
S. Africa	14.8367	(1.85)	20.6824	(1.58)	18.0333	(2.16)

Sources: GCB Bank, Central bank website



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