

WEEKLY CURRENCY REPORT



Date Issued | 12th April, 2021



GLOBAL FX MARKET

USD: The dollar rose against the pound but dipped against the euro on Friday, as worse-than-expected initial jobless claims and a dovish Federal Reserve minutes which reiterated that the US central bank would keep financial conditions as lenient as possible for the foreseeable future were the driver behind the dollar's weakness during the week under review. The dollar gained 0.66% against the pound but declined by 1.19% against the euro. Nevertheless, the currency has room for further upside momentum in the weeks ahead as the American economy seems better positioned than others for a strong recovery from the coronavirus pandemic. We therefore expect the dollar to rebound as markets remain elevated ahead of potentially strong readings for inflation and retail sales this week.

GBP: The pound weakened on Friday (09/04/2021), having touched its lowest level since February 5th, 2021, as investors fear that the slowing pace of the COVID vaccinations in the UK could delay the government's plans to reopen the economy, despite Prime Minister Boris Johnson's recent confirmation that the "stage two" of lifting lockdown would take place next week. At the same time, the pound dropped by 0.65% and 1.73% against the dollar and the euro respectively. We expect the pound to rebound as the stage two of lifting lockdown begin on 12/04/2021, with non-essential shops, gyms and art galleries reopening in England, despite the slowing pace of the COVID vaccinations.

EUR: The euro improved as investors focused on the prospect of a strong economic recovery, despite the uncertainty around rising infection rates and the slow rollout of vaccines. The euro went up by 1.21% and 1.72% against the dollar and the pound respectively. An uptick in vaccinations in the weeks ahead will add to already elevated forward looking eurozone sentiment indicators. We therefore expect the euro to struggle against a resurgent greenback in the coming week, however we also expect it to remain firm against the pound as growth dynamics become more supportive.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.73 USD1; GHS: 7.92 GBP1; GHS: 6.74 EUR1

- In the just ended week, the Ghana cedi inched up against dollar and the pound but decreased against the euro. The local unit strengthened against the dollar and the pound, it went up by 0.01% and 0.68% respectively. On the other hand, the cedi lost 1.07% against the euro.

- The cedi advanced against the greenback and the pound on Friday (09/04/2021), as risk appetite for emerging market currencies continued due to massive stimulus spending and ultra-accommodative monetary support by Central Banks in developed economies.

- Lower interest rate expectations boost investors' appetite for emerging markets assets such as the cedi, which offer higher returns but carry more risk.

- Similarly, regulation and FX auction by the Bank of Ghana help the local unit lessen its loss against the euro while it stayed firm against the dollar and the pound.

- In the week ahead, we expect the cedi to remain stable as the \$3 billion Eurobond cash finally hit Bank of Ghana's accounts which is expected to shore up the international reserve position of the country to cushion the cedi.

SOUTH AFRICA: ZAR: 14.72 USD1; ZAR: 20.31 GBP1; ZAR: 17.29: EUR1

- In the week under review, the rand improved against the dollar and the pound while it dipped against the euro. The rand appreciated by 0.92% and 1.53% against the dollar and the pound respectively. On the contrary it went down by 0.33% against the euro.

- South Africa's rand was firmer against a soft dollar on Friday (09/04/2021), as investors weighed the U.S. Federal Reserve's commitment to keep interest rates low for some time against likely higher inflation.

- Fed officials are committed to supporting the economy until its recovery is more secure, minutes of the U.S. central bank's most recent policy meeting released on Wednesday (07/04/2021) showed.

- Locally, investor focus is on manufacturing activity and business confidence data expected later in this week. The data will give some insights into the health of an economy that last year suffered its worst annual decline in a century, after the COVID-19 pandemic disrupted economic activity.

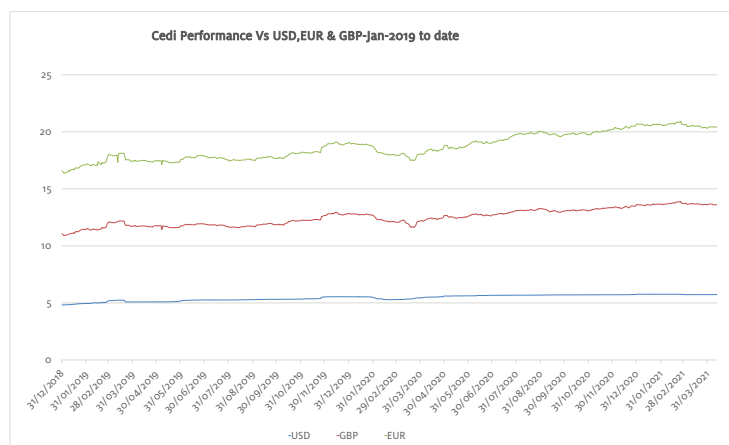
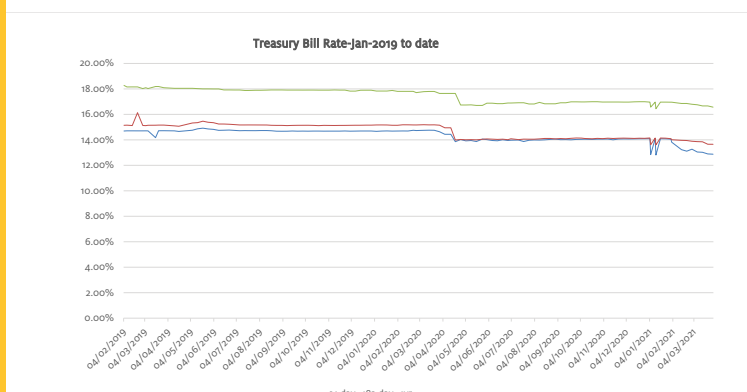
- We therefore expect the rand to trade sideways in the absence of any

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3729	0.66	1.1888	(1.19)
Europe	0.8412	1.21	1.1540	1.72	1.0000	0.00
UK	0.7284	(0.65)	1.0000	0.00	0.8660	(1.73)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7294	0.01	7.8662	0.68	6.8097	(1.07)
Nigeria	379.5000	0.00	520.7120	0.33	451.3770	(1.40)
Kenya	107.9710	1.28	148.4720	1.48	128.3500	0.13
BCEAO*	551.5000	1.41	755.2500	1.92	655.9600	0.00
S. Africa	14.5894	0.92	19.9984	1.53	17.3439	(0.33)

Sources: GCB Bank, Central bank website



WEEKLY CURRENCY REPORT



Date Issued | 12th April, 2021



Scrolling? Pause and sanitize.

Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.