

WEEKLY CURRENCY REPORT



Date Issued | 4th May, 2021



GLOBAL FX MARKET

USD: The dollar witnessed a 4th straight week of losses against a basket of major peers on Friday (30/04/2021), which was its longest streak of losses since last July. The greenback also ended the month down by 2.7%, which was also its biggest decline since the 4% slump in July 2019. The dollar dropped by 0.03% and 0.13% against the pound and the euro respectively. The US Federal Reserve on 28/05/2021 kept its easy money policy in place, despite noting the economic strength as well as inflation that is on the rise, while US President Biden proposed a new \$1.8 trillion plan that would see an increase in investment income tax. We therefore expect the dollar to rebound on economic data released last week showing a growth in the US economy by 6.4% annualized rate in the first quarter, the second-fastest growth since the third quarter of 2003.

GBP: The pound traded higher to end the week as investors braced for an eventful week with UK local elections, the Bank of England's policy meeting, as well as the release of US jobs data for April. The sterling gained amid signs the UK economy is rebounding from the pandemic, helped by the country's gradual reopening of its economy, a rapid vaccine rollout and government policy support. The pound inched up by 0.03% and 0.11% against the dollar and the euro respectively. We expect the pound to remain firm as investors will be paying special attention to the Scottish parliamentary election results after PM Boris Johnson said last month he would not oppose a second independence referendum if the Scottish National party won a majority.

EUR: The euro gained against the dollar but dipped against the pound on Friday (30/05/2021) indicating no significant changes from the previous week's two-month high and heading for an over 3% monthly gain against the greenback. This was on the back of optimism about a strong economic recovery and signs of an acceleration in the vaccination pace in Europe. The euro went up by 0.13% against the dollar while it was down by 0.05% against the pound. We expect the euro to trade sideways as data showed the Eurozone entered a double-dip recession in the first quarter, with Germany, Italy and Spain falling back into contraction territory and France returning to growth. At the same time, the bloc's consumer prices rose 1.6% in April, the most for two years, while the unemployment rate fell to 8.1% in March, below market expectations.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.73 USD1; GHS: 7.92 GBP1; GHS: 6.90 EUR1

- In the just ended week, the Ghana cedi was down against the dollar but improved against the pound and the euro. The local unit declined by 0.02% against the dollar. Contrary it was up by 0.18% and 0.30% against the pound and the euro respectively.

- The cedi weakened against the dollar as investors took profits on a brief rally spurred by the dovish tone of the U.S. Federal Reserve at its policy-setting meeting, reflecting cautious market sentiment towards the local currency.

- The local unit edged higher against the pound and the euro in thin trade ahead of the national holiday.

- Also, the cedi was supported by the Central bank's involvement through FX auction and regulation to keep it stable against the hard notes.

- In the week ahead, we expect the cedi to remain relatively stable supported by the country's strong reserve position.

SOUTH AFRICA: ZAR: 14.38 USD1; ZAR: 20.01 GBP1; ZAR: 17.40: EUR1

- In the week under review, the rand decreased against all the tracked currencies in our basket. The rand depreciated by 0.60% and 0.83% against the dollar and the pound respectively. Also, it lost by 0.92% against the euro.

- South Africa's rand eased on Friday (30/04/2021) as weaker-than-expected Chinese factory indicators and firmer economic growth in the United States put demand for riskier currencies under pressure.

- The rand has lost momentum as investors worry about local economic growth and the duration of expansionary fiscal and monetary policies in developed economies that have so far supported flows into the currency and a healthy trade surplus.

- Strong U.S. economic growth in the first quarter, with gross domestic product increasing 6.4%, took some of the steam out of the rand's rally, with traders warning that South Africa's own economic struggles may weigh on its strength.

- We therefore expect the rand to bounce back this week on South Africa's improved trade surplus of 52.77 billion rand (\$3.67 billion) as at March, from a revised 31.22 billion rand in February representing the largest surplus on record, driven by higher commodity and mineral exports.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

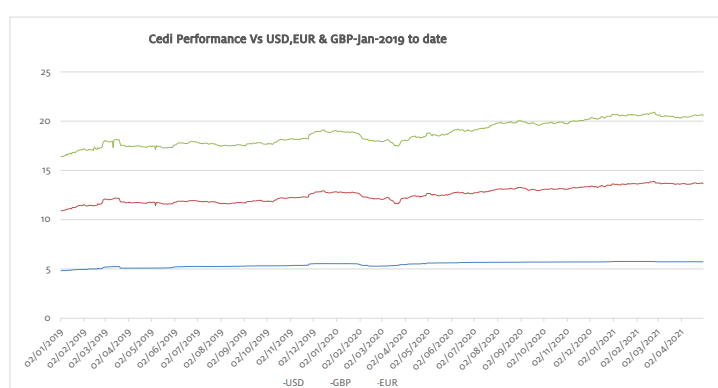
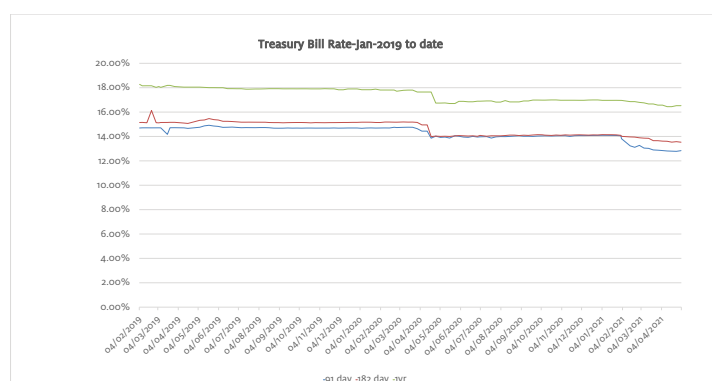
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3845	(0.03)	1.2082	(0.13)
Europe	0.8277	0.13	1.1512	(0.05)	1.0000	0.00
UK	0.7223	0.03	1.0000	0.00	0.8696	0.11

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7322	(0.02)	7.9222	0.18	6.8958	0.30
Nigeria	379.5000	0.00	527.7330	(0.11)	458.4740	(0.13)
Kenya	107.8440	(0.33)	150.2720	0.27	130.6280	0.07
BCEAO*	541.7500	0.51	754.0000	0.27	655.9600	0.00
S. Africa	14.3799	(0.60)	20.0089	(0.83)	17.3961	(0.92)

Sources: GCB Bank, Central bank website



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Scrolling? Pause and sanitize.

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