

WEEKLY CURRENCY REPORT



Date Issued | 17th May, 2021



GLOBAL FX MARKET

USD: The dollar closed lower on Friday (14/05/2021), after retail sales unexpectedly showed no growth from a month earlier in April, suggesting Americans stopped spending their stimulus checks. Disappointing retail trade data coupled with figures published earlier this month showing that hiring slowed in April, highlights the uneven rebound underway in the US economy. The dollar was down by 0.77% and 0.53% against the pound and the euro respectively. In the week ahead, we expect the dollar to rebound with investors betting that the Fed would have to pull out monetary support sooner than expected.

GBP: The pound ended higher during the week under review, remaining close to over two-month high recorded in the prior week as the UK relaxed restrictive measures further with cafes, bars and restaurants reopening for indoor service and a ban on international travel being lifted. The pound was also supported by the prospect of a solid economic recovery in the UK. The pound improved by 0.78% and 0.84% against the dollar and the euro respectively. Markets are braced for a barrage of key economic data this week, with main releases including unemployment and wage growth, inflation data, retail trade, consumer morale, and flash Markit PMI figures. We therefore expect the pound to remain firm in the week ahead.

EUR: The euro was nearly unchanged to close the week, supported by optimism about Europe's economic recovery due to the ongoing reopening efforts and the acceleration of COVID-19 vaccinations. In France and Austria, non-essential business will be allowed to reopen starting from May 19th, although certain limitations would still be in place. The euro gained 0.53% against the dollar but dipped by 0.84% against the pound. Last week, the European Commission revised upwards its GDP forecasts for 2021 and 2022, saying that all Member States should see their economies return to pre-crisis levels by the end of 2022. Inflation, which has been below the ECB target for years, should accelerate to 1.7% in 2021 and slow down to 1.3% in 2022. We therefore expect the euro to remain stable in the coming week.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.73 USD¹; GHS: 8.02 GBP¹; GHS: 6.96 EUR¹

- In the just ended week, the Ghana cedi went up against the dollar and the euro while it depreciated against the pound. The local unit improved by 0.02% and 0.11% against the dollar and the euro respectively. On the other hand, it declined by 0.72% against the pound.

- The cedi firmed up against the dollar, recovering alongside other emerging market currencies following the surprise inflation increase in the United States, as investors saw smaller chances of higher lending rates by the Federal Reserve.

- The local currency is also getting support from lower rates in developed markets, a surge in global commodity prices and signs the local economy is on track for a better-than-expected recovery.

- The Central bank's support through FX auction and regulation also cushioned the cedi against the major currencies.

- In the week ahead, our expectation is for the relative stability of the cedi to continue, supported by the international reserve position of the country.

SOUTH AFRICA: ZAR: 14.24 USD¹; ZAR: 19.83 GBP¹; ZAR: 17.21: EUR¹

- In the week under review, the rand advanced against the dollar and the euro but reduced against the pound. The rand appreciated by 0.64% and 0.31% against the dollar and the euro respectively. On the contrary, it depreciated by 0.35% against the pound.

- South Africa's rand firmed up against its peers on Friday (14/05/2021) as global risk demand was aided by signs the United States central bank would keep lending rates low despite rising inflation.

- Data showed U.S. consumer prices increased the most in nearly 12 years in April, intensifying concerns over rising inflation and raising expectations that the central bank would tighten its monetary policy.

- Those fears cooled with traders taking heart from a Fed official saying the twin surprises of weak jobs growth and strong inflation had not dented the bank's plans to keep its support for the economy.

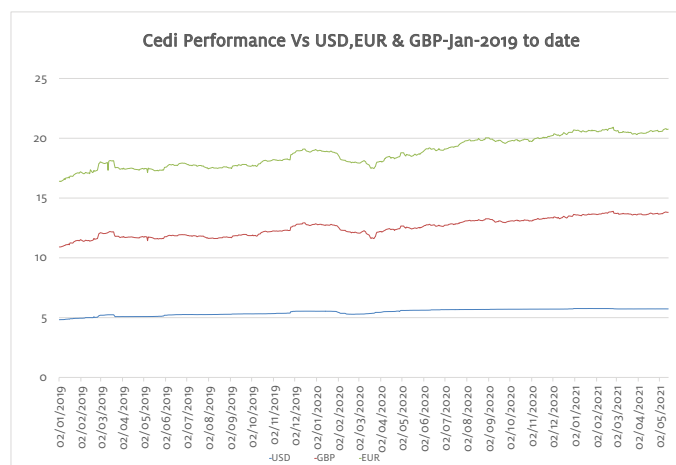
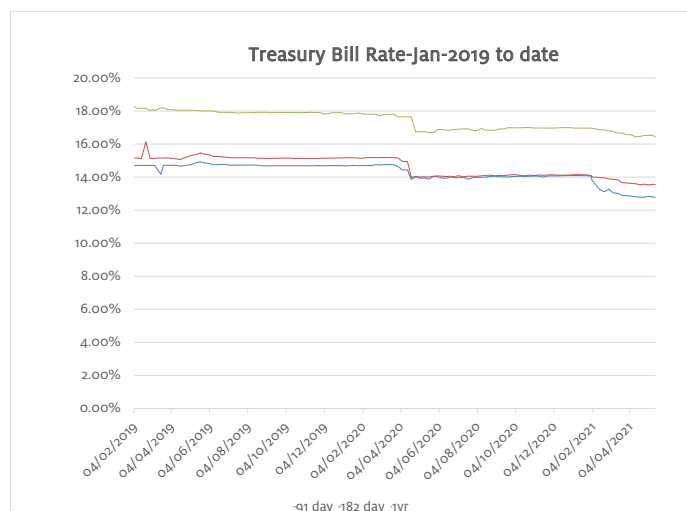
- Looking ahead, we expect the rand to remain stable with improving industrial activity in the SA economy. However, unreliable power supply pose imminent downside risks to economic growth and the rand.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.4088	(0.77)	1.2123	(0.53)
Europe	0.8249	0.53	1.1617	(0.84)	1.0000	0.00
UK	0.7098	0.78	1.0000	0.00	0.8613	0.84

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7307	0.02	8.0766	(0.72)	6.9551	0.11
Nigeria	379.5	0.00	536.196	(1.63)	462.003	(0.90)
Kenya	107.02	(0.15)	151.21	(2.34)	129.747	(1.39)
BCEAO*	541.75	0.28	761.75	(0.75)	655.96	0.00
S. Africa	14.149	0.64	19.8991	(0.35)	17.1536	0.31

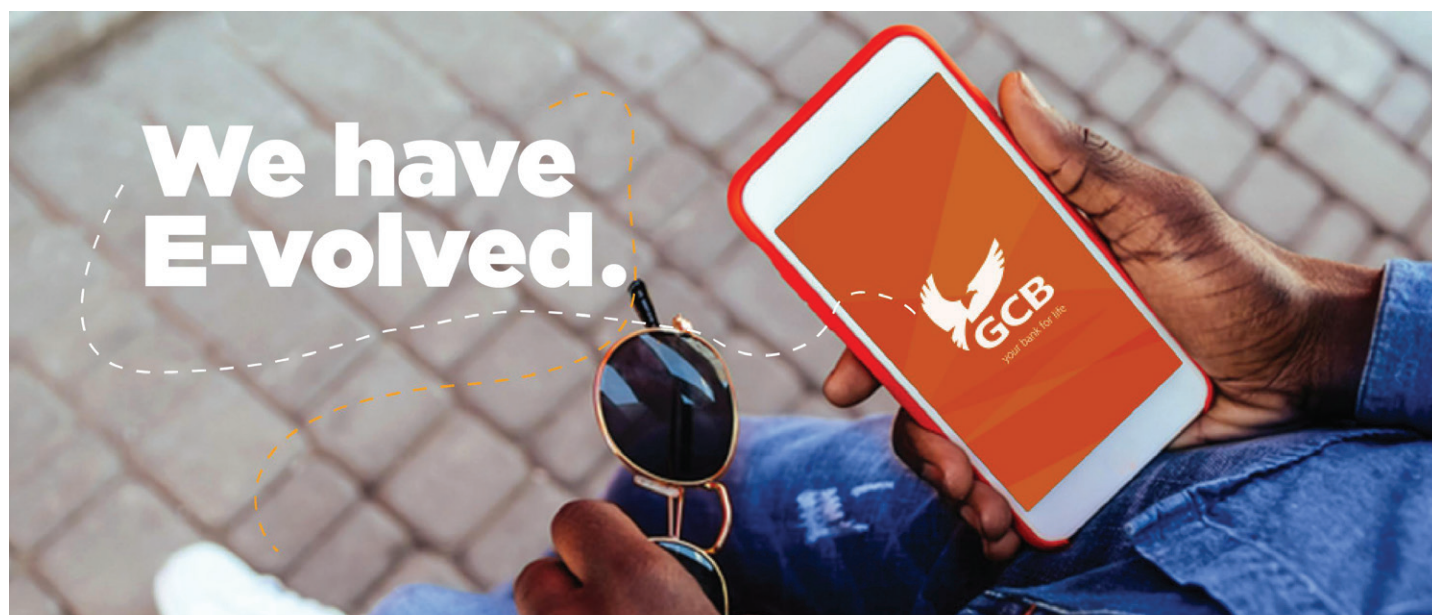
Sources: GCB Bank, Central bank website



WEEKLY CURRENCY REPORT



Date Issued | 17th May, 2021



Customer Service: 0202 111 177 0264 270 236

WhatsApp: 0202 422 422

Web: www.gcbbank.com.gh

Toll Free: 0800 422 422

Follow GCBBankLimited



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.