

WEEKLY CURRENCY REPORT



Date Issued | 24th May, 2021



GLOBAL FX MARKET

USD: The dollar ended the week as the worst performer on Friday (21/05/2021), as better-than-expected weekly jobless claims numbers drove investors into riskier assets. The upbeat outlook for the job market came in the wake of somewhat hawkish Federal Open Market Committee (FOMC) minutes, which showed that some policymakers are already comfortable discussing a tapering plan if the US economy continues to pick up strongly and inflationary pressures persist. The greenback also seemed to be pressured by lower Treasury yields, with the benchmark 10-year rate retreating to an over one-week low of 1.62%. The dollar dipped by 0.42% and 0.53% against the pound and the euro respectively. In the week ahead, we expect the dollar to remain under pressure as Fed officials generally agree that the economic recovery is far from complete.

GBP: The pound closed high on Friday (21/05/2021), not far from an over three-year high hit, as investors digested a batch of data released last week and hoped for a solid economic recovery in 2021. The flash PMI survey showed the UK private sector economy expanded in May by the most on record, amid looser pandemic restrictions and high levels of pent up demand. In addition, the country's retail sales surged by 9.2% in April following the reopening of non-essential stores. The pound advanced by 0.43% and 0.02% against the dollar and the euro respectively. UK inflation jumped in April to a 13-month high, with the Bank of England predicting the rate will climb above the 2% level this year due to an increase in regulated household energy bills, higher global oil prices. We however expect the pound to remain stable in the week ahead.

EUR: The euro firmed up against the dollar on Friday (21/05/2021), helped by broad dollar weakness and the prospect of a solid economic recovery in 2021. The flash PMI survey showed the Eurozone private sector activity grew at a sharply faster rate in May, easily beating market expectations, as economies continued their re-opening efforts. The euro was up by 0.54% against the dollar but declined by 0.25% against the pound. However, the report also showed input cost rose the most in a decade and prices charged increased at a record pace, adding to signs of growing inflationary pressure. We therefore expect the euro to trade sideways in the coming week.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.73 USD¹; GHS: 8.12 GBP¹; GHS: 6.99 EUR¹

- In the just ended week, the Ghana cedi depreciated against all the tracked currencies in our basket. The local unit was down by 0.01% and 0.54% against the dollar and the pound respectively. Also, it fell by 0.45% against the euro.

- The cedi edged lower on Friday (21/05/2021) as investors awaited cues on U.S. monetary policy from the minutes of the Federal Reserve's recent meeting, which reiterate the bank's dovish stance.

- The local currency was relatively stable against the major currencies as investors weighed the rate at which the local economy will perform this year under austerity as well as rising crude oil prices on the international market and its impact on inflation and interest rates.

- Periodic intervention by the Bank of Ghana through FX auction and regulation helped to mitigate the cedi's loss against the hard notes.

- In the week ahead, we expect the cedi to rebound boosted by the European Commission announcement to remove Ghana from the list of countries that are deficient in anti-Money Laundering and Terrorism Financing. The cedi will also be supported by the country's international reserve position.

SOUTH AFRICA: ZAR: 13.99 USD¹; ZAR: 19.83 GBP¹; ZAR: 17.09: EUR¹

-In the week under review, the rand appreciated against all the tracked currencies in our basket. The rand went up by 1.16% and 0.32% against the dollar and the pound respectively. Similarly, it was up by 0.38% against the euro.

- South Africa's rand ticked higher on Friday (21/05/2021) ahead of a central bank meeting as hints of eventual policy tightening from the Federal Reserve clouded their outlook.

- The rand added about 0.3%, with the central bank widely expected to hold rates at a record-low 3.5%. But rising inflation expectations, as well as eventual Fed tightening are expected to push the bank into hiking rates.

- Still, relatively higher interest rates in the country have benefited the rand, as waning concerns over the COVID-19 pandemic spurred a return to carry trades.

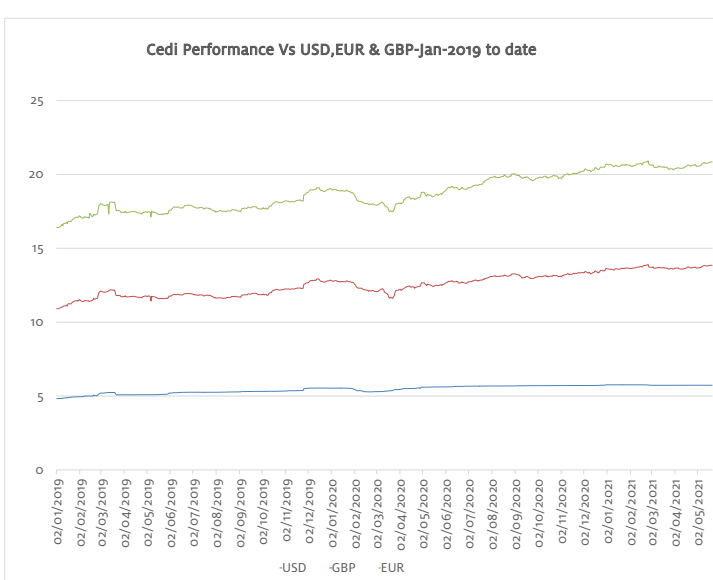
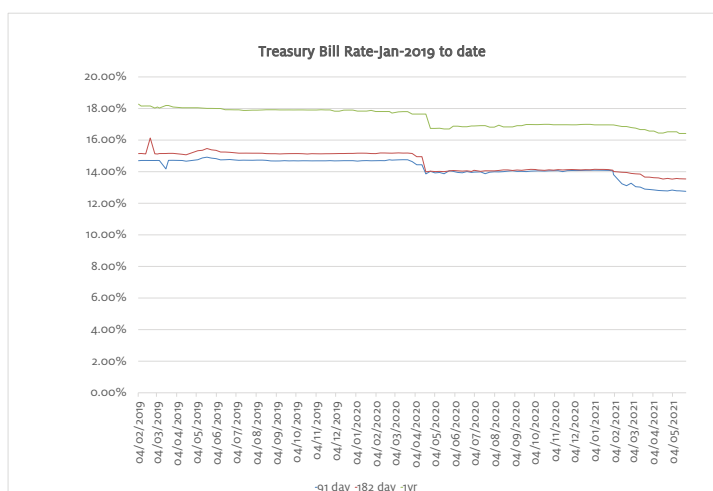
- Looking ahead, we expect the rand to stay firm as fears of a new wave of COVID-19 infections in Asia dampened demand for emerging market currencies.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.4148	(0.42)	1.2188	(0.53)
Europe	0.8205	0.54	1.1646	(0.25)	1.0000	0.00
UK	0.7068	0.43	1.0000	0.00	0.8612	0.02

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7315	(0.01)	8.1201	(0.54)	6.9863	(0.45)
Nigeria	379.5000	0.00	536.1960	0.00	462.0030	0.00
Kenya	108.2290	(1.11)	152.9070	(1.11)	132.0150	(1.72)
BCEAO*	536.7500	0.93	761.2500	0.07	655.9600	0.00
S. Africa	13.9859	1.16	19.8348	0.32	17.0879	0.38

Sources: GCB Bank, Central bank website



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**Scrolling?
Pause and
sanitize.**

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