

WEEKLY CURRENCY REPORT



Date Issued | 26th April, 2021



GLOBAL FX MARKET

USD: The dollar declined on Friday (23/04/2021), recording its third weekly loss amid signs of diminished enthusiasm on the US reflation trade and a soft note in Treasury yields. The dollar dropped by 0.17% and 0.66% against the pound and the euro respectively. A slew of economic data, including better-than-expected US preliminary PMI readings and new home sales, reinforced the view that 2021 could see the best economic growth in nearly four decades. Though, such outperformance of the US economy no longer impressed investors, with this risk-positive market environment instead favouring bets on the other currencies. We however expect the dollar to trade sideways given the fact that the Federal Reserve will keep monetary policy extremely easy for the foreseeable future despite an apparent increase in price pressures.

GBP: The British pound appreciated against the dollar on Friday (23/04/2021) as investors digested a batch of data released last week. Britain's retail sales rose in March by the most since June's record increase, while PMI data suggested the country's private sector output grew by the most since November 2013, reflecting the effect of the easing of coronavirus restrictions on consumer spending. The pound increased by 0.17% against the dollar but decreased by 0.41% against the euro. We therefore expect the pound to remain relatively stable against it peers as the UK inflation rate advanced less than expected to 0.7% in March and unemployment rate fell for a second month in a row to 4.9%.

EUR: The euro continued its strong performance during the week under review, trading at two-month highs and heading for an over 3% monthly gain against the greenback, boosted by optimism about a strong economic recovery and signs of an acceleration in the vaccination pace in Europe. The euro inched up by 0.67% and 0.13% against the dollar and the pound respectively. We expect the euro to remain firm as ECB left monetary policy unchanged and maintained its pledge to increase support if needed, with President Lagarde saying that although inflation has picked up over recent months due to temporary factors, underlying price pressures remain subdued in the context of significant economic slack and still weak demand.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.73 USD₁; GHS: 7.94 GBP₁; GHS: 6.92 EUR₁

- In the just ended week, the Ghana cedi appreciated against the dollar but dipped against the pound and the euro. The local unit improved by 0.02% against the dollar. On the other hand, it went down by 0.18% and 0.73% against the pound and the euro respectively.

- The cedi was little changed against the greenback last Friday, as the dollar remained subdued with ongoing expectations for the Fed to maintain its current stance that won't see monetary tightening anytime soon.

- The local unit weakened against the pound and the euro as investors worried again about the pace of an economic rebound with possible power cuts.

- Intervention by the Bank of Ghana through FX auction and regulation also provided support for the cedi.

- In the week ahead, we expect the cedi to come under some pressure against the major currencies on possible demand pressures from importers importing goods for sale and production. However, we expect the increased reservation position of the BoG to cushion the cedi.

SOUTH AFRICA: ZAR: 14.29 USD₁; ZAR: 19.84 GBP₁; ZAR: 17.24: EUR₁

- In the week under review, the rand was down against all the tracked currencies in our basket. The rand weakened by 0.27% and 1.22% against the dollar and the pound respectively. Also, it went down by 0.90% against the euro.

- South Africa's rand weakened on Friday (23/04/2021), in uncertain trade globally, as investors awaited the next moves in lending rates in the United States and Europe and weighed the impact on economic recovery of delayed vaccine rollouts.

- On the domestic front, all eyes are on the wage negotiations as public-sector unions and the government meet once again to negotiate over contentious salary increases for public servants.

- The government has previously argued that the sustainability of the public finances bill depends on its ability to reduce growth in the public service wage bill. Finance minister Tito Mboweni's budget published in February assume an effective nominal public sector wage freeze over the next three years.

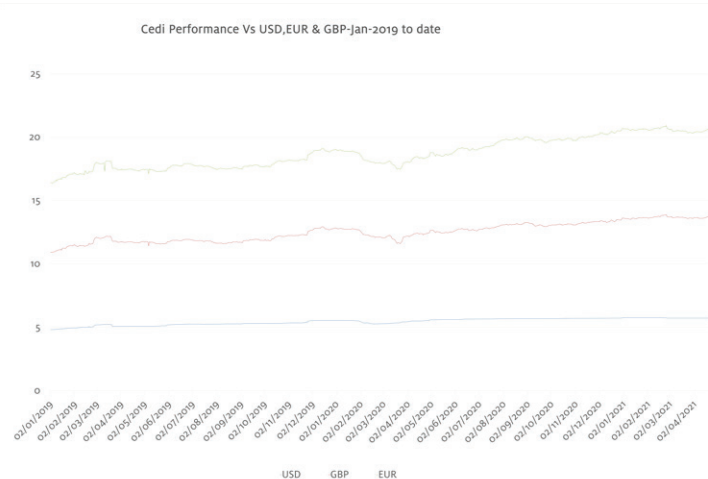
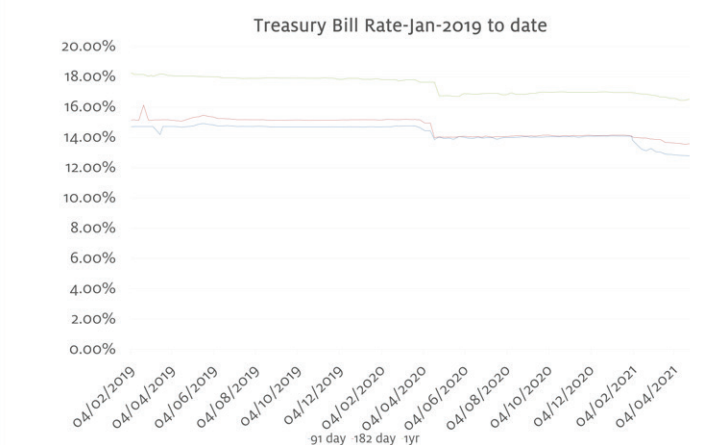
- We therefore expect the rand to remain under minimal pressure with investors staying cautious over an economic recovery as global Covid-19 infections mount.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3841	(0.17)	1.2066	(0.66)
Europe	0.8288	0.67	1.1507	0.13	1.0000	0.00
UK	0.7225	0.17	1.0000	0.00	0.8705	(0.41)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7309	0.02	7.9365	(0.18)	6.9166	(0.73)
Nigeria	379.5000	0.00	527.1640	(0.65)	457.8670	(0.64)
Kenya	107.4930	(0.64)	150.6820	(1.99)	130.7230	(1.97)
BCEAO*	544.5000	0.64	756.0000	(0.43)	655.9600	0.00
S. Africa	14.2938	(0.27)	19.8426	(1.22)	17.2369	(0.90)

Sources: GCB Bank, Central bank website



WEEKLY CURRENCY REPORT



Date Issued | 26th 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.