

WEEKLY CURRENCY REPORT



Date Issued | 7TH June, 2021



GLOBAL FX MARKET

USD: The dollar edged up to end the week after upbeat labour market and services data added to bets the Federal Reserve will start tapering sooner rather than later. The ADP report showed US companies added the most jobs in 11 months, well above forecasts, initial jobless claims fell more than expected and services PMIs pointed to record growth in the services sector. The dollar improved by 0.06% and 0.21% against the pound and the euro respectively. In the week ahead, we expect the dollar to trade steady as the Fed announced it will begin to unwind the corporate bond holdings it acquired last year through an emergency lending facility launched to calm credit markets at the height of the pandemic.

GBP: The pound weakened against the dollar amid worries that the wider reopening of the British economy due on June 21st, 2021 could be delayed due to a spike in cases of the COVID variant now known as Delta. The pound dipped by 0.06% against the dollar but advanced by 0.22% against the euro. On the economic data front, PMI data showed that UK private sector activity expanded in May at a record pace, amid looser pandemic restrictions and confidence due to the successful vaccine roll out. However, the survey also showed cost pressure intensified, with output charges rising the most since comparable data were first compiled in November 1999. We therefore expect the pound to stay firm in the week ahead.

EUR: The euro depreciated to close the week due to a rebound in the dollar as investors worried about a possible tightening of monetary policy in the US on signs of higher inflation and solid economic activity. The euro declined by 0.21% and 0.09% against the dollar and the pound respectively. Meanwhile, a PMI survey showed Eurozone business activity surged in May following the easing of COVID-19 restrictions, with input cost inflation hitting a decade high and output prices rising the most on record. In the week ahead, we expect the euro to remain under pressure as investors across the globe remain cautious ahead of the release of US nonfarm payrolls data.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.75 USD₁; GHS: 8.14 GBP₁; GHS: 6.99 EUR₁

- In the just ended week, the Ghana cedi dropped against the dollar and the pound but gained slightly against the euro. The local unit went down by 0.09% and 0.02% against the dollar and the pound respectively. On the other hand, it was up by 0.03% against the euro.

- The cedi weakened on Friday (04/06/2021) as the dollar rose after stronger-than-expected U.S. private payrolls data that suggested an improving labour market.

- With the local economy recovering gradually, the cedi's recent rally has been mainly on the back of global factors, including higher commodity prices which benefit resource-rich Ghana and expectations lending rates will stay lower for longer developed markets.

- Also, timely interventions by the Bank of Ghana through FX auction and regulation reinforced the cedi's relative stability.

- In the week ahead, we expect the cedi to come under minimal pressure on profit repatriation by international firms operating in Ghana. To curb the situation, the Governor of the Bank of Ghana indicated during the last MPC meeting that they are in a discussion with the various entities to plan the profit repatriation in a structured manner to minimise its adverse effect on the cedi. Also, we believe that the country's gross international reversers of US\$10,990.3 million will serve as a buffer to the cedi.

SOUTH AFRICA: ZAR: 13.82 USD₁; ZAR: 19.62 GBP₁; ZAR: 16.85: EUR₁

- In the week under review, the rand gained against all the tracked currencies in our basket. The rand improved by 1.15% and 1.65% against the dollar and the pound respectively. Also, it increased by 1.86% against the euro.

- The South African rand was steady against the greenback on Friday (04/06/2021), close to its highest level since February 5th 2019, as the dollar came under pressure after a weaker-than-expected US jobs report tempered expectations of an earlier monetary policy tightening by the Fed.

- Meanwhile, investors remained cautious ahead of South Africa's first-quarter GDP figures this week. In other news, medical experts said that government should look at introducing further restrictions in South Africa to combat fatigue from Covid. South Africa moved to an adjusted level 2 lockdown on 31 May, 2021, following a spike in Covid-19 cases.

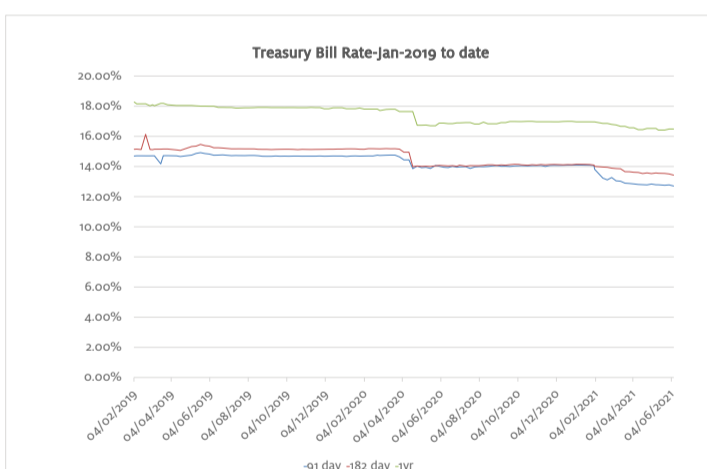
- Therefore looking ahead, we expect the rand to remain stable as riskier currencies, such as the rand, thrive on U.S. interest rates remaining low because they benefit from the interest rate differential that increases their appeal for carry trade.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.4172	0.06	1.2117	0.21
Europe	0.8253	(0.21)	1.1670	(0.09)	1.0000	0.00
UK	0.7056	(0.06)	1.0000	0.00	0.8583	0.22

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.747	(0.09)	8.1427	(0.02)	6.9927	0.03
Nigeria	409.68	(0.04)	579.247	0.15	496.532	0.26
Kenya	107.8	(0.24)	152.933	(0.41)	131.437	(0.18)
BCEAO*	541.75	(0.60)	764	0.00	655.96	0.00
S. Africa	13.6629	1.15	19.2982	1.65	16.5478	1.86

Sources: GCB Bank, Central bank website



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**Scrolling?
Pause and
sanitize.**

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