

WEEKLY CURRENCY REPORT



Date Issued | 21st June, 2021



GLOBAL FX MARKET

USD: The dollar ended higher on Friday (18/06/2021), a level not seen in over two months, and notching its best week since March 2020 following a surprisingly hawkish tone from the Fed. The US central bank has sharply raised its forecasts for inflation this year and flagged two rate increases by the end of 2023. The dollar improved by 2.01% and 1.91% against the pound and the euro respectively. The scale of the change in outlook came to benefit bullish investors who are projecting that Jay Powell and his rate-setting colleagues will need to think about scaling back quantitative easing to prevent the US economy from overheating. We therefore expect the dollar to remain firm as investors will be looking for any clues on a possible timeline for tapering.

GBP: The pound traded lower on Friday (18/06/2021), having touched its weakest level since April 16th 2021, amid a strong dollar, a resurgence in the number of coronavirus cases in the UK, the ongoing post-Brexit tensions over the Northern Ireland protocol, and the delay in the UK's lockdown easing plan. Also, UK retail sales unexpectedly dropped in May, as food stores and non-store retailers were affected by the easing of restrictions for hospitality and non-essential retail; while the country's inflation rate rose more than expected in May to the highest level since July 2019 and above the Bank of England's 2.0% target. The pound declined by 1.97% and 0.03% against the dollar and the euro respectively. We expect the pound to remain pressured as investors digest a batch of economic data released during the week under review.

EUR: The euro depreciated on Friday (18/06/2021), touching its weakest level since early April and heading for a 2% weekly loss against the dollar, as hawkish comments from the Fed sparked bullish bets in the greenback. At the same time, concerns over rising inflationary pressures offset hopes of a solid economic recovery in Europe. The euro declined by 1.87% against the dollar but gained 0.09% against the pound. We expect the euro to remain relatively stable as investors are uncertain about the direction of the Euro economy as ECB President Christine Lagarde delivers a speech to the European Parliament later this week.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.75 USD1; GHS: 7.95 GBP1; GHS: 6.82 EUR1

- In the just ended week, the Ghana cedi improved against all the tracked currencies in our basket. The local unit increased by 0.01% against the dollar. Similarly, it edged up by 2.18% and 1.99% against the pound and the euro respectively.

- The cedi continue to remain relatively stable against the major currencies owing to improved international reserves, as well as narrowing fiscal and current-account deficits.

- Periodic intervention by the Central bank through FX auction and regulation also supported the local unit and dampened currency speculation.

- Looking forward, we anticipate the cedi to remain relatively stable as investors remained optimistic about the pace of economic recovery on the back of a 3.1% GDP growth in the first quarter of 2021.

SOUTH AFRICA: ZAR: 14.08 USD1; ZAR: 19.56 GBP1; ZAR: 16.79: EUR1

- In the week under review, the rand dipped against all the tracked currencies in our basket. The rand reduced by 3.65% and 1.83% against the dollar and the pound respectively. Also, it edged lower by 1.65% against the euro.

- The South African rand fell more than 1% on Friday (18/06/2021) amid a stronger dollar after the US Federal Reserve unexpectedly brought forward its projections for interest rate hikes into 2022.

- Domestically, the pandemic situation remains worrying as Covid-19 cases and hospitalizations continue to rise, raising concerns over the need for additional restrictive measures weighing on the rand's performance.

- Concerns persist over the economic impact of stringent measures to curb another wave of Covid-19 infections, after health experts warned that South Africa needs to introduce further lockdown restrictions as the ongoing third-wave is likely to be worse than the first two.

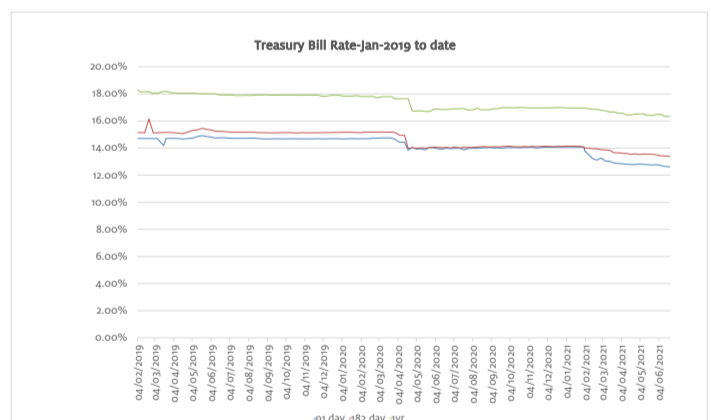
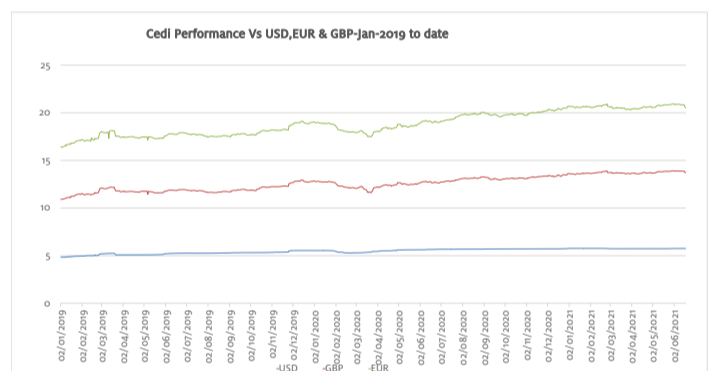
- We therefore expect the rand to continue trading sideways in the week ahead as investors continue to evaluate the impact of tighter restrictions aimed soaring Covid-19 infection rates.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3807	2.01	1.1898	1.91
Europe	0.8405	(1.87)	1.1657	0.09	1.0000	0.00
UK	0.7243	(1.97)	1.0000	0.00	0.8587	(0.03)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7512	0.01	7.9450	2.18	6.8242	1.99
Nigeria	409.7000	(0.02)	568.7460	1.96	487.8710	1.86
Kenya	107.8000	0.09	151.2640	0.65	129.6550	1.31
BCEAO*	551.0000	(2.31)	764.2500	(0.20)	655.9600	0.00
S. Africa	14.0811	(3.65)	19.5601	(1.83)	16.7882	(1.65)

Sources: GCB Bank, Central bank website



WEEKLY CURRENCY REPORT



Date Issued | 21st June, 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.