

WEEKLY CURRENCY REPORT



Date Issued | 31st May, 2021



GLOBAL FX MARKET

USD: The dollar gained against the euro on Friday (28/05/2021), buoyed by solid economic data including personal spending and initial jobless claims. Also, the Fed's preferred inflation measure jumped to 3.1% in April, the highest since the 1990s beating market forecast, raising further concerns about price pressures and bets the Fed would start tapering sooner than later and at a faster pace. The dollar reduced by 0.23% against the pound but advanced by 0.38% against the euro. However, investors are less worried about tapering as the Fed have consistently argued that any increase in prices will be transitory. Given the above and the fact that the US positive economic performance narrative seems entirely priced in, it is unlikely that the greenback will gain further in the coming week.

GBP: The British pound traded higher to end the week, after Bank of England policymaker Gertjan Vlieghe signaled that the central bank might start raising interest rates sooner than expected in 2022 if a stronger than forecast economic rebound in the UK materializes. The pound improved by 0.23% and 0.11% against the dollar and the euro respectively. According to the Bank of England forecasts, Britain's economy would grow by 7.25% in 2021, before slowing in 2022 to return to its pre-pandemic pace. Meanwhile, Governor Andrew Bailey said that he does not see inflation causing a serious problem in the medium to long-term. We therefore expect the pound to remain stable in the week ahead.

EUR: The euro plunged against the dollar on Friday (28/05/2021) as the French economy contracted by 0.1% in the first quarter of 2021 according to a final estimate from the country's official statistics agency, ensuring the country officially suffered a recession in the first quarter of the year. Sentiment towards the French economy and the Euro were not helped by additional data that showed household spending fell 8.3% in April. The euro dipped by 0.38% and 0.12% against the dollar and the pound respectively. In the week ahead, we expect the euro to rebound on the back of positive outlook for the French economy in the second half of 2021 as the rapid increase in vaccination roll-outs is aiding a more rapid reopening of the economy.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.74 USD1; GHS: 8.14 GBP1; GHS: 6.99 EUR1

- In the just ended week, the Ghana cedi declined against all the tracked currencies in our basket. The local unit depreciated by 0.18% and 0.25% against the dollar and the pound respectively. Likewise, it dropped by 0.12% against the euro.

- The cedi lessen its loss against the dollar after investors took some profits and after the US PCE inflation which is a measure of inflation closely watched by the Fed topped forecasts, raising fears about earlier policy tightening.

- On the domestic front, Ghana's public debt stock rose by €13 billion to hit €304.6 billion in March 2021, the latest Bank of Ghana (BoG) Summary of Economic and Financial Data has revealed, this mounted some pressure on the local unit last week.

- The Central Bank's constant support through FX auction and regulation also supported the cedi against the hard currency.

- In the week ahead, we expect the cedi to trade sideways due to possible Fx outflows for the repatriation of profits by international organizations as well as the payment of government debt obligation to international creditors. However, we expect the country's gross international reversers of US\$10,990.3 million as at the end of April 2021, providing cover for 5.1 months of imports of goods and services to cushion the cedi.

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

- In the week under review, the rand edged up against all the tracked currencies in our basket. The rand was up by 1.20% and 1.12% against the dollar and the pound respectively. Similarly, it was up by 1.38% against the euro.

- The South African rand extended gains for the second straight week against the greenback, its highest level since February 2019, aided by the dollar languishing near four-month lows.

- The currency has been supported by the Fed's dovish stance, rising commodity prices, the positive outlook delivered by the South African Reserve Bank last week and after credit rating agencies S&P Global Ratings and Fitch affirmed South Africa's sovereign rating and outlook.

- But the African nation's economic standing and rising COVID-19 cases which are forcing movement curbs have cast doubts on the prospects of its economic performance this year.

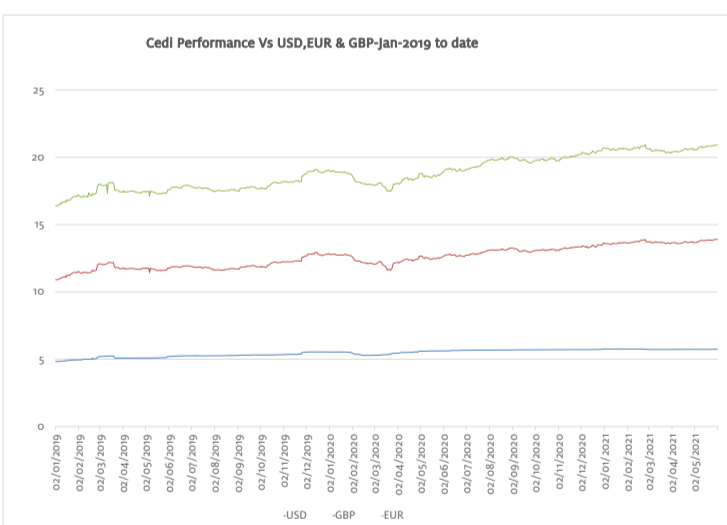
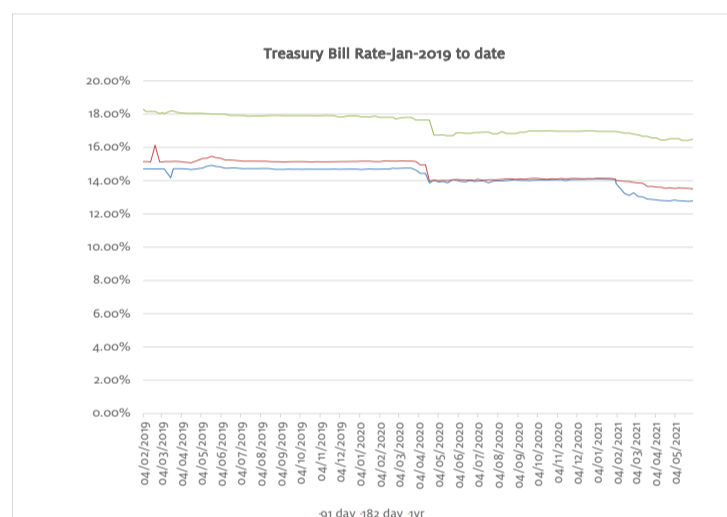
- Looking ahead, we expect the rand to come under minimal pressure after South African President Cyril Ramaphosa announced that lockdown measures will be strengthened as the country moves to an adjusted level 2 lockdown from May 31st, 2021 in anticipation of a third wave of Covid-19 infections.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.4181	(0.23)	1.2142	0.38
Europe	0.8236	(0.38)	1.1660	(0.12)	1.0000	0.00
UK	0.7052	0.23	1.0000	0.00	0.8602	0.11

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7416	(0.18)	8.1408	(0.25)	6.9947	(0.12)
Nigeria	409.5000	(7.33)	580.0980	(7.57)	497.8290	(7.20)
Kenya	107.5380	0.64	152.3000	0.40	131.1990	0.62
BCEAO*	538.5000	(0.32)	764.0000	(0.36)	655.9600	0.00
S. Africa	13.8194	1.20	19.6160	1.12	16.8549	1.38

Sources: GCB Bank, Central bank website



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**Scrolling?
Pause and
sanitize.**

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