

GLOBAL FX MARKET

USD: The dollar was set for a 1% weekly loss, the most since early May amid dovish Fed remarks. Fed chair Powell said that rate increases were "a ways away" and the job market still had "some ground to cover" pointing that the central bank is in no rush to withdraw stimulus. Also, data showed personal consumption beat forecasts in June and core producer inflation came in below expectations. The dollar weakened by 1.13% and 1.04% against the pound and the euro respectively. Looking ahead, we expect the dollar to rebound as all eyes turn to the US jobs report due Friday (06/08/2021), which will probably point to an acceleration in the labor market recovery.

GBP: The pound hits four-week high at the end of July as the dollar weakened after the US Federal Reserve said that it was in no rush to withdraw stimulus. England lifted its final coronavirus-induced restrictions the previous week amid skepticism among epidemiologists due to the rapid spread of the Delta variant. The pound improved by 1.14% and 0.45% against the dollar and the euro respectively. We expect the pound to remain relatively stable as Deputy Governor Dave Ramsden and Michael Saunders said that the bank could reverse monetary stimulus sooner than expected as the economy re-opens and inflation remains above the target.

EUR: The euro was little changed to end the month. Upbeat economic data showing the Eurozone economy grew more than expected during the second quarter helped to provide some support, while concerns over the spread of the Delta variant remained. The euro gained 1.05% against the weak dollar but declined by 0.29% against the pound. We expect the euro to stay firm as investors expected that the European Central Bank will remain dovish for some time, after policymakers pledged last month to keep interest rates at record-low levels for even longer in an effort to bring inflation back to its 2% target, while ECB President Christine Lagarde warned about a fresh wave of the coronavirus pandemic and its impact on the economic recovery.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.80 USD¹; GHS: 8.06 GBP¹; GHS: 6.88 EUR¹

- In the just ended week, the Ghana cedi weakened against all the tracked currencies in our basket. The local unit was down by 0.01% against the dollar. In the same way, it dipped by 1.02% and 0.77% against the pound and the euro respectively.

- The cedi dropped against the dollar with concerns over rising COVID-19 infections setting a cautious tone in global markets amid a softer dollar after fresh assurance by the US Federal Reserve that interest rate hikes are seen distant.

- The local unit weakened as investors awaited the mid-year budget review amid expectations of government initiatives to support the economy hit by the pandemic crisis as investors continue to focus on positive earnings reports and try to shrug off concerns over the rapid spread of the coronavirus delta variant.

- Bank of Ghana's periodic support through FX auction and regulation also helped the performance of the cedi.

- In the week ahead, we expect the cedi to rebound on the back of a strong reserve position, better regulatory oversight and monetary policy tightening amidst concerns of rising Covid-19 cases.

SOUTH AFRICA: ZAR: 14.56 USD¹; ZAR: 20.34 GBP¹; ZAR: 17.32: EUR¹

- In the week under review, the rand improved against the dollar and the euro respectively but declined against the pound. The rand went up by 1.35% and 0.40% against the dollar and the pound respectively. On the other hand, it edged lower by 0.39% against the euro.

- The South African rand improved against the greenback, its highest level on a closing basis since mid-July, amid a softer dollar after fresh reassurance by the US Federal Reserve that interest rate hikes are seen distant.

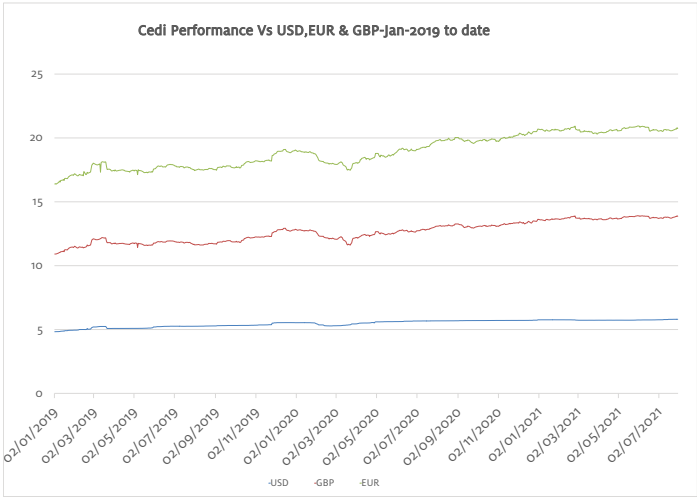
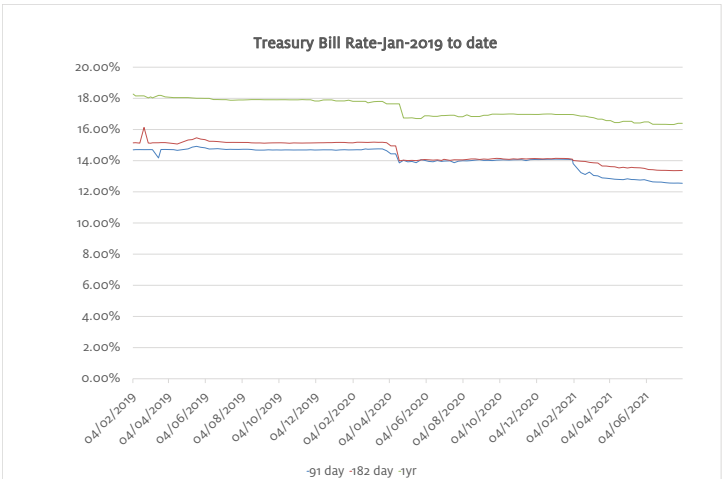
- At the same time, optimism around President Biden's massive infrastructure plan helped risk appetite. Locally, South Africa's economic outlook was clouded by the duration and severity of the third wave of Covid-19 and associated tougher restrictions, as well as the recent unrest in parts of the country.

- South African Reserve Bank Governor Lesetja Kganyago has said recently that the effects of lockdowns and deadly riots would be felt for some time and will likely slow the recovery from 2020's pandemic-induced contraction.

- We therefore expect the rand to remain fairly stable in the week ahead with concerns over rising COVID-19 infections setting a cautious tone in global markets ahead of U.S. jobless claims and payrolls data later this week.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3907	(1.13)	1.1891	(1.04)
Europe	0.8410	1.05	1.1745	(0.29)	1.0000	0.00
UK	0.7191	1.14	1.0000	0.00	0.8527	0.45
Sources: GCB Bank, Central bank websites						

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.8011	(0.01)	8.0633	(1.02)	6.8808	(0.77)
Nigeria	409.6000	0.01	572.0880	(1.44)	486.9730	(0.92)
Kenya	108.6090	(0.38)	151.1980	(1.60)	128.6920	(0.81)
BCEAO*	551.5000	1.04	770.0000	(0.55)	655.9600	0.00
S. Africa	14.5593	1.35	20.3408	(0.39)	17.3212	0.40
Sources: GCB Bank, Central bank website						



WEEKLY CURRENCY REPORT



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