

## GLOBAL FX MARKET

**USD:** The dollar rose in the third week of August, the most in two months and hovered around its highest level since November 2020 benefiting from safety buying as investors fretted that a surge in infections of the Delta variant could derail the global recovery while Federal Reserve officials started discussing a potential reduction in stimulus this year. The dollar edged up by 1.76% and 0.81% against the pound and the euro respectively. Meantime, Dallas Fed President Robert Kaplan said on Friday (20/08/2021) he may need to adjust his view on when the Fed should start tapering its asset-purchase program if the delta variant persists and hurts economic progress. In the coming week, we expect the greenback to remain stable amid expectations the Fed could start to ease back on asset purchases this year.

**GBP:** The pound weakened to its lowest level in a month, after the Federal Reserve's meeting minutes showed the increasing prospect of reduced monetary stimulus this year. At the same time, concerns over the pace of global growth due to the worldwide spike in COVID-19 infections hit risk appetite, while the Bank of England's hawkish turn helped to curb the losses. The pound dropped by 1.73% and 1.14% against the dollar and the euro respectively. We expect the pound to trade sideways as investors focus on the PMI surveys and the Federal Reserve's symposium in Jackson Hole due this week, for further cues on the central bank's policy path. At the same time, signs that the current COVID-19 outbreak in China may be tapering off soon will also be considered.

**EUR:** The euro was slightly down on Friday (20/08/2021), amid ongoing concerns over the spread of the Delta variant and its impact on global growth and as investor's focus shifts to the annual conference in Jackson Hole this week at which the US Federal Reserve is expected to announce the timeline of tapering of its bond-buying program. The euro tumbled by 0.80% against the dollar but increased by 0.77% against the pound. We expect the euro to be under minimal pressure as the common currency remain close to its weakest level since November 2020, with investors turning to the dollar after the Federal Reserve's last meeting minutes showed the central bank will start tapering its huge stimulus this year.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.82 USD<sup>1</sup>; GHS: 8.07 GBP<sup>1</sup>; GHS: 6.87 EUR<sup>1</sup>**

- In the just ended week, the Ghana cedi strengthened against the pound and the euro but fell against the dollar. The local unit dipped by 0.20% against the dollar. Against the Euro and the pound, it was up by 1.43% and 0.82% respectively.

- The cedi sank against the greenback after the U.S. Federal Reserve July meeting minutes suggested it could ease stimulus this year.

- In spite of the dip in the dollar, periodic support by the Central bank through FX auction and regulation helped to cushion the cedi's performance.

- In the week ahead, we expect the cedi to continue its relative stability on the back of a strong reserve position, improved regulatory oversight and fears of a global economic slowdown due to the fast-spreading Delta variant.

**SOUTH AFRICA: ZAR: 14.54 USD<sup>1</sup>; ZAR: 20.24 GBP<sup>1</sup>; ZAR: 17.18: EUR<sup>1</sup>**

- In the week under review, the rand plunged against all the tracked currencies in our basket. The rand was down by 3.35% and 2.09% against the dollar and the pound respectively. In the same way, it went down by 2.84% against the euro.

- The South African rand finished lower on Friday (20/08/2021), close to its lowest since July 20th,2021, as fears of a global economic slowdown due to the fast-spreading Delta variant persisted and as investors continued to digest signs the Fed will start normalizing policy.

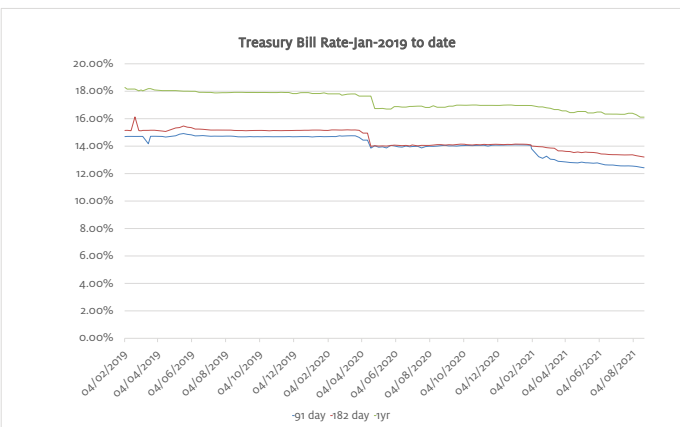
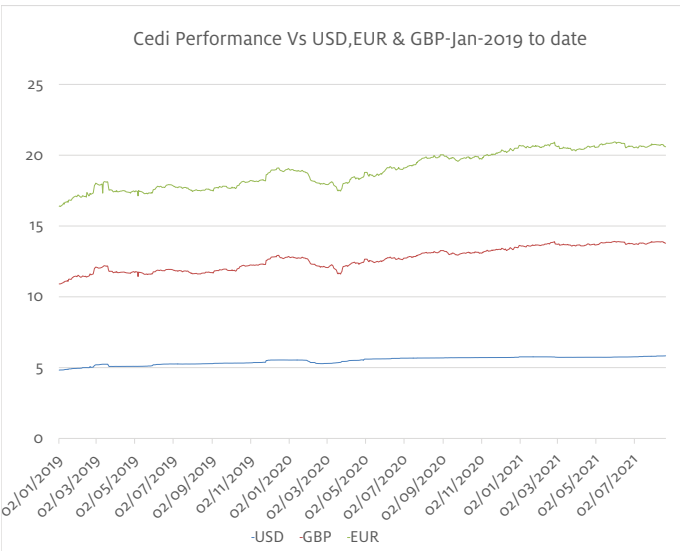
- Also, persistent worries about the pace of global recovery, China's widening regulatory policy on the tech sector and the rapid spread of the Delta variant continued to weigh on market sentiment.

- On the domestic data front, South Africa's annual inflation rate eased to 4.6% in July from 4.9% in June, as expected. Also, retail sales rose for a third straight month in June and above market expectations.

- However, the direction of the rand in the coming week will depend on the outcome of data on unemployment data, the producer price index and the South African Reserve Bank's leading indicator set to be released this week.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3613	1.76	1.1671	0.81
Europe	0.8568	(0.80)	1.1662	0.77	1.0000	0.00
UK	0.7346	(1.73)	1.0000	0.00	0.8579	(1.14)
Sources: GCB Bank, Central bank websites						

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.8336	(0.20)	7.9535	1.43	6.8127	0.82
Nigeria	409.6100	0.00	557.5880	1.55	478.0790	0.78
Kenya	109.5320	(0.31)	150.0020	0.76	128.0910	0.01
BCEAO*	561.5000	(0.45)	764.7500	0.92	655.9600	0.00
S. Africa	15.3530	(3.35)	20.9169	(2.09)	17.9261	(2.84)
Sources: GCB Bank, Central bank website						



# WEEKLY CURRENCY REPORT



Date Issued | 23rd August, 2021

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## Research Contacts

Lawson Oppong-Asante  
Email: [loppong-asante@gcb.com.gh](mailto:loppong-asante@gcb.com.gh)  
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong  
Email: [aofrimpong@gcb.com.gh](mailto:aofrimpong@gcb.com.gh)  
Tel: 0302 66 4910 -18

Michael Bedjrah  
Email: [mbedjrah@gcb.com.gh](mailto:mbedjrah@gcb.com.gh)  
Tel: 0302 66 4910 -18

## Treasury & Sales Contacts

Anthony Asare  
Email: [akasare@gcb.com.gh](mailto:akasare@gcb.com.gh)  
Tel: 0302 611 762

Daniel Boateng  
Email: [daboateng@gcb.com.gh](mailto:daboateng@gcb.com.gh)

## Head Office:

No 2 Thorpe Link  
P. O. Box 134, Accra  
Tel: +233 (0)302 664910

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