

# WEEKLY CURRENCY REPORT



Date Issued | 26th July, 2021



## GLOBAL FX MARKET

**USD:** The dollar extended its upward momentum, getting closer to a four-month high on Friday (23/07/2021) as demand for safe-heaven assets remains strong on worries about the further spread of the Delta COVID-19 variant. Also, while concerns are increasing about the US economic recovery, the pace of growth is still much stronger compared to other countries. The dollar strengthened by 0.29% and 0.30% against the pound and the euro respectively. Looking ahead, we expect the dollar to continue soaring as investors anticipate the FOMC meeting this week for clues on the timing of stimulus tapering.

**GBP:** The pound dipped to end the week and heading for a 0.6% monthly loss against the greenback. England lifted its final coronavirus-induced restrictions last week amid skepticism among epidemiologists due to a spike in infections. Meanwhile, investors monitored signs of a change in stance at the Bank of England, after policymaker Michael Saunders said earlier this month the central bank could decide to halt its bond-buying programme early amid inflationary pressure. The pound fell by 0.29% and 0.04% against the dollar and the euro respectively. We expect the pound to remain under minimal pressure as Deputy Governor Dave Ramsden warned that the bank could reverse monetary stimulus sooner than expected as inflation is seen hitting 4% this year.

**EUR:** The euro eased on Friday (23/07/2021), amid expectations that the European Central Bank will remain dovish for some time and as worries about the spread of the Delta variant mounted. The ECB pledged last week 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. The euro declined by 0.30% against the dollar but gained 0.11% against the pound. We expect the euro to remain steady amid concerns over inflation and the impact of rising Covid-19 cases and new restrictions on the global economic recovery.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.80 USD1; GHS: 7.98 GBP1; GHS: 6.83 EUR1**

- In the just ended week, the Ghana cedi fell against the dollar while it improved against the pound and the euro. The local unit went down by 0.07% against the dollar. On the contrary, it advanced by 0.13% and 0.28% against the pound and the euro respectively.

- The cedi declined with the dollar benefiting from safe-haven buying on fears that surge in infections of the fast-spreading Delta variant could derail the global recovery, pressuring riskier assets, such as the cedi.

- The local unit strengthened against the pound and the euro as traders weighed signs of economic recovery domestically and risks to global growth, namely coronavirus variants and inflationary pressures.

- Continuous intervention by the Central bank through FX auction and regulation also cushioned the cedi's performance.

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

**SOUTH AFRICA: ZAR: 14.76 USD1; ZAR: 20.26 GBP1; ZAR: 17.39: EUR1**

- In the week under review, the rand weakened against all the tracked currencies in our basket. The rand fell by 2.08% and 1.25% against the dollar and the pound respectively. Likewise, it dipped by 1.91% against the euro.

- The South African rand traded lower to end the week, as the country grapples with a third wave of Covid-19 restrictions and the recent unrest in parts of the country is likely to slow ongoing recovery.

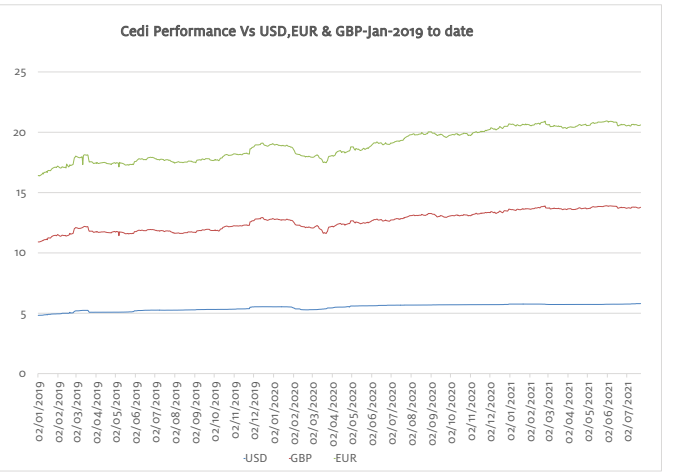
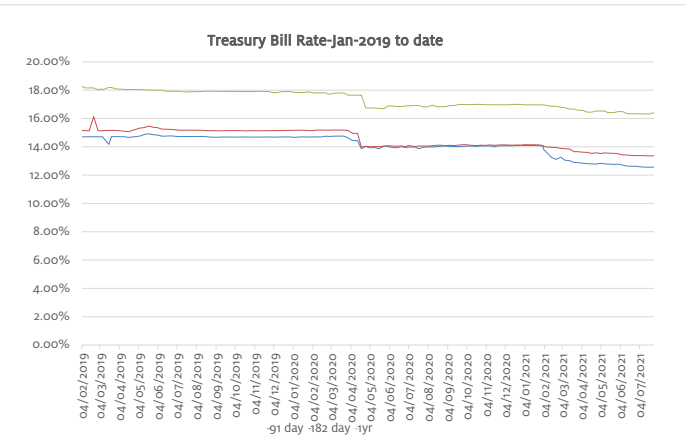
- During its latest monetary policy meeting, the SARB decided to keep rates unchanged at 3.5% and indicated an increase of 25 basis points in the fourth quarter of 2021 and in each quarter of 2022. Policymakers revised headline consumer price inflation for 2021 slightly higher to 4.3% (up from 4.2%), and revised lower to 4.2% (from 4.4%) in 2022.

- The bank added that the unrest is estimated to have fully negated the better growth results from the first quarter, resulting in an unchanged estimate of 4.2% for growth in 2021.

- We therefore expect the rand to remain under pressure in the coming week as investors mull concerns about the spread of the Delta coronavirus variant and refrain from placing big bets ahead of the Fed's two-day June meeting on Wednesday (28/07/2021).

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3750	0.29	1.1767	0.30
Europe	0.8498	(0.30)	1.1711	0.11	1.0000	0.00
UK	0.7273	(0.29)	1.0000	0.00	0.8565	(0.04)
Sources: GCB Bank, Central bank websites						

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.8003	(0.07)	7.9809	0.13	6.8280	0.28
Nigeria	409.6300	0.00	563.8700	0.36	482.4740	0.15
Kenya	108.2000	(0.01)	148.7750	0.72	127.6530	0.19
BCEAO*	557.2500	(0.31)	765.7500	0.16	655.9600	0.00
S. Africa	14.7561	(2.08)	20.2620	(1.25)	17.3901	(1.91)
Sources: GCB Bank, Central bank website						



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