

WEEKLY CURRENCY REPORT



Date Issued | 20th September, 2021



GLOBAL FX MARKET

USD: The dollar rallied on Friday (17/09/2021), after the Michigan Consumer Sentiment came below forecasts, raising further uncertainty on when the Federal Reserve will start cutting stimulus. Early in that week, fresh data showed retail sales unexpectedly rose in August and the inflation slowed more than forecasted but remained high. The dollar increased by 0.77% and 0.52% against the pound and the euro respectively. In the week ahead, we expect the greenback to remain stable as investors are cautious ahead of a highly-anticipated FOMC meeting this week when the Fed is expected to provide more details on the tapering timeline.

GBP: The pound edged lower on Friday (17/09/2021), after economic data showed UK retail sales unexpectedly declined for a fourth consecutive month during August. Meanwhile, the country's inflation rate jumped more than expected to a near nine-year high, reigniting concerns about a sooner-than-expected policy tightening by the Bank of England. The pound declined by 0.77% and 0.06% against the dollar and the euro respectively. We therefore expect the pound to stay under minimal pressure in the week ahead as concerns about slowing global growth due to coronavirus outbreaks hit risk appetite.

EUR: The euro mixed performed on Friday (17/09/2021) as investors awaits this week's central bank policy meetings, including those from the Federal Reserve and Bank of England, while digesting a batch of economic data released the previous week. A softer US inflation rate tempered expectations of early tapering by the Fed, while weak Chinese retail sales and industrial output figures raised concerns about slowing global growth. The euro dropped by 0.52% against the dollar but advanced by 0.64% against the pound. Looking forward, we expect the euro to remain steady due to growing risk aversion amid prospects of slower global growth and expectations for a tapering signal from the US Federal Reserve this week.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.86 USD¹; GHS: 8.06 GBP¹; GHS: 6.88 EUR¹

- In the just ended week, the Ghana cedi depreciated against the dollar but gained in a row against the pound and the euro. The local unit dipped by 0.12% against the greenback. Against the Euro and the pound, it gained 0.56% and 0.68% respectively.

- The local unit has been relatively stable against the major currencies due to the international reserve position of the country on the back of improved balance of payment outturn. As at June 2021, Ghana's International Reserves (GIR) position was US\$11.0 billion, equivalent to 5.0 months of import cover.

- This has allowed the timely support by the Central bank through FX auction and regulation to cushion the cedi on the Fx market.

- In the weeks ahead, our expectation is for the cedi to be relatively stable riding on the US\$1.5 billion cocoa syndicated loan expected next month for the purchases of cocoa for the 2021/22 cocoa season. However, the uncertainty on when the Fed will start cutting stimulus will continue to weigh on market.

SOUTH AFRICA: ZAR: 14.61 USD¹; ZAR: 20.17 GBP¹; ZAR: 17.21: EUR¹

- In the week under review, the rand was down against all the tracked currencies in our basket. The rand fell by 3.55% and 3.02% against the dollar and the pound respectively. Equally, it went down by 2.97% against the euro.

- The South African rand fell to more than three-week slump on Friday (17/09/2021), hurt by subdued risk appetite and after ratings agency Fitch said Africa's most industrialized economy will continue to face challenges as it seeks to stabilize debt.

- The currency was also hit by the fallout especially on emerging markets from Chinese property firm Evergrande's debt debacle, a rout in commodity prices and a stronger dollar. The dollar climbed to a three-week peak last week, continuing to be boosted by strong U.S. retail sales data, reviving fears that a Fed tapering might be close.

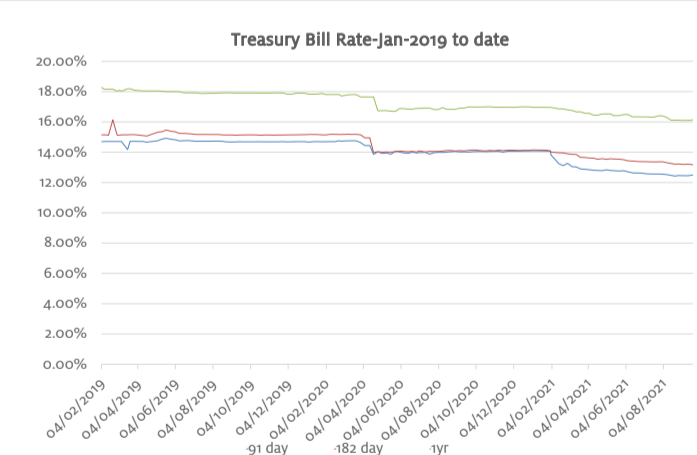
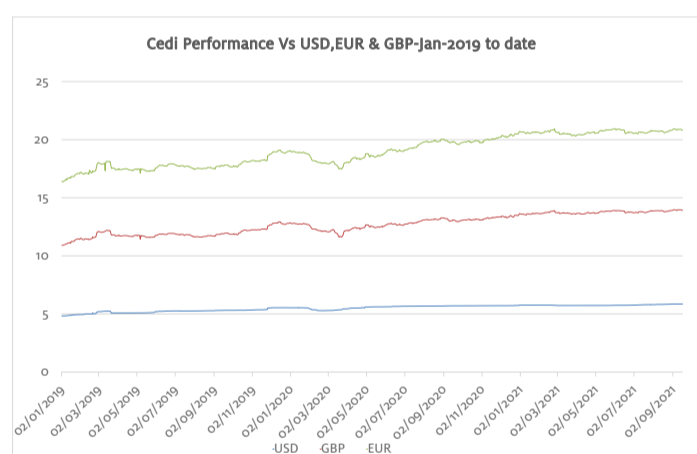
- The direction of the rand this week will depend on the outcome of the South Africa's (SA) consumer price index (CPI) data, SA's central bank interest rates decision on Sept. 23, 2021 and the Federal Reserve policy meeting for indications on how soon the U.S central bank will start to taper stimulus. Any adverse outcome of these indicators will put pressure on the rand and vice versa.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3749	0.77	1.1780	0.52
Europe	0.8489	(0.52)	1.1719	0.64	1.0000	0.00
UK	0.7273	(0.77)	1.0000	0.00	0.8540	(0.06)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.8630	(0.12)	8.0643	0.56	6.8805	0.68
Nigeria	410.0800	(0.02)	565.9920	0.60	483.1150	0.45
Kenya	110.0940	(0.20)	152.2680	(0.30)	129.6680	0.27
BCEAO*	557.0000	(0.54)	768.5000	(0.03)	655.9600	0.00
S. Africa	14.6129	(3.55)	20.1746	(3.02)	17.2118	(2.97)

Sources: GCB Bank, Central bank website



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Scrolling? Pause and wash.



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