

# WEEKLY CURRENCY REPORT



Date Issued | 27th September, 2021



## GLOBAL FX MARKET

**USD:** The dollar edged higher on Friday (27/09/2021), as investors continue to digest a more hawkish Fed while worries over China's economic growth linger. The Fed signaled it could start reducing asset purchases as soon as November while lowering growth forecasts and rising inflation projections. The dollar inched up by 0.59% and 0.52% against the pound and the euro respectively. In the week ahead, we expect the dollar to remain steady pending fresh economic data due this week including the ISM Manufacturing PMI and PCE inflation that will provide an update on the American economy. Traders will also keep a close eye on Fed Chair testimony on coronavirus support before the US Senate and Powell's participation in an ECB Forum panel.

**GBP:** The pound dropped on Friday (24/09/2021) as the central bank lifted its forecast for inflation while two of its policymakers called for an immediate halt to the £895 billion bond purchase programme, bringing forward expectations for an interest hike. Also, concerns over the British economy and the unemployment outlook weighed on the pound, as the furlough scheme introduced to mitigate the effects of the pandemic ends this month. The pound fell by 0.59% and 0.39% against the dollar and the euro respectively. In the week ahead, we expect the pound to be stressed on the back of cautious sentiment from its European counterparts, as global growth worries undermine the mood and China's debt burden Evergrande Real Estate (2nd largest Chinese Property Developer) remained silent on whether it will pay interest on dollar-denominated bonds.

**EUR:** The euro little changed on Friday (24/09/2021), as uncertainty about whether Evergrande will pay interest on dollar-denominated bonds and monetary policy decisions from major central banks fueled a cautious market sentiment. The euro dipped by 0.52% against the dollar but increased by 0.44% against the pound. Looking forward, we expect the euro to remain relatively stable as investors digest the narrow victory of the Social Democrats in the German elections and the latest hawkish shift by the US central bank. The Social Democratic Party won its first national election since 2005, beating Angela Merkel's Christian Democratic Union by a slim margin of 1.6 percentage points on Sunday.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.86 USD<sub>1</sub>; GHS: 8.06 GBP<sub>1</sub>; GHS: 6.88 EUR<sub>1</sub>**

- In the just ended week, the Ghana cedi fell against the dollar but was up against the pound and the euro. The local unit was down by 0.02% against the greenback. Against the Euro and the pound, it advanced by 0.60% and 0.18% respectively.

- The cedi traded slightly high against the major currencies on the back of a strong international reserve position of the country which stood at US\$11.4 billion, equivalent to 5.2 months of import cover as at August 2021.

- This has supported Bank of Ghana's periodic intervention through FX auction and regulation to cushion the cedi on the FX market.

- In the weeks ahead, we still expect the cedi to remain relatively stable as the US\$1.5 billion cocoa syndicated loan is expected next month for the purchases of cocoa for the 2021/22 cocoa season. Meanwhile, traders await statements from the Bank of Ghana's MPC meeting to assess the pace of the recovery.

**SOUTH AFRICA: ZAR: 14.61 USD<sub>1</sub>; ZAR: 20.17 GBP<sub>1</sub>; ZAR: 17.21: EUR<sub>1</sub>**

- In the week under review, the rand declined against the dollar but improved against the pound and the euro. The rand edged lower by 0.35% against the dollar. Then again, it rose by 0.68% and 0.08% against the pound and the euro respectively.

- The South African rand firmed as the focus turned to an interest rate decision by the South African Reserve Bank, where the regulator was expected to leave its benchmark rate unchanged.

- The South African Reserve Bank decided to leave the repo rate at a record low of 3.50%, as inflation remains well-anchored around the 4.5% midpoint of the target range, while South Africa's economic recovery is still fragile.

- Also, risk appetite was lower on mounting fears of a slowdown in global growth due to the uncertainty around the pandemic and risks from China, along with the prospect of an early tapering of Federal Reserve stimulus.

- Meanwhile, persistent fears of a slowdown in global growth due to the fast-spreading Delta variant and the prospect of an early tapering of Federal Reserve stimulus capped further gains.

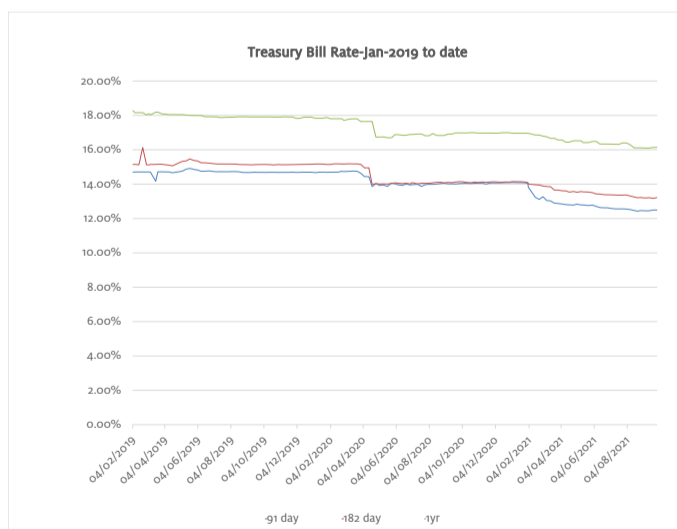
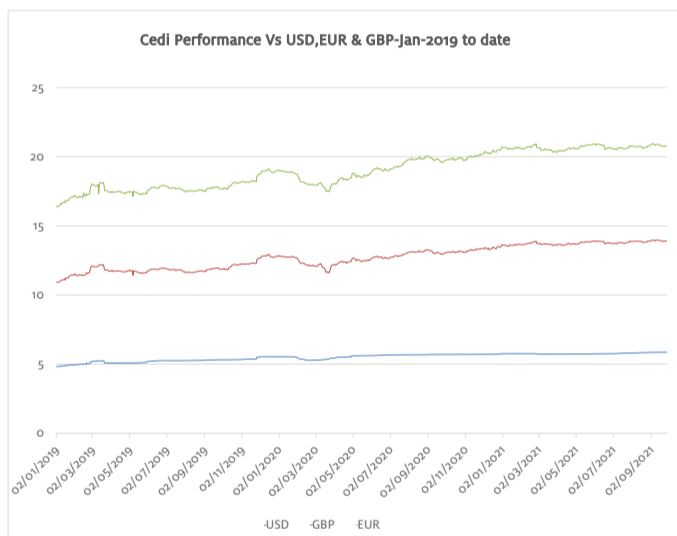
- In the week ahead, we expect the rand to be stable as global investors welcome an easing of concerns over Chinese property giant Evergrande, while also digesting the Federal Reserve's latest policy announcement.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3668	0.59	1.1719	0.52
Europe	0.8533	(0.52)	1.1668	0.44	1.0000	0.00
UK	0.7316	(0.59)	1.0000	0.00	0.8573	(0.39)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.8643	(0.02)	8.0159	0.60	6.8680	0.18
Nigeria	410.2000	(0.03)	560.9900	0.89	480.7130	0.50
Kenya	110.3770	(0.26)	151.0380	0.81	129.3280	0.26
BCEAO*	558.7500	(0.31)	766.7500	0.23	655.9600	0.00
S. Africa	14.6646	(0.35)	20.0392	0.68	17.1979	0.08

Sources: GCB Bank, Central bank website



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## Scrolling? Pause and wash.



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