

WEEKLY CURRENCY REPORT



Date Issued | 29th November, 2021

GLOBAL FX MARKET

USD: The dollar mixed performed on Friday (26/11/2021), as investors took a breath to digest strong economic data from the US and a more hawkish Fed stance. Weekly unemployment claims in the US fell to the lowest level since 1969, Q3 GDP was revised upwards to 2.1% and US PCE inflation accelerated 0.6% in October, all pointing to a sharp economic recovery and continued upward price pressures. Likewise, concerns on further lockdowns and restrictions due to the new Covid variant (Omicron) that could disrupt economic recovery weighed on market sentiment. The dollar edged up by 0.94% against the pound, however it declined by 0.18% against the euro. We therefore expect the dollar to rebound in the coming week as investors dump riskier assets on renewed concerns over the global economic outturn this year due to the new Covid variant.

GBP: The pound ended the week as the worst currency in our basket, as investors rushed to safety amid panic over a new COVID-19 variant and doubts on whether the Bank of England will raise interest rates at its December meeting. Markets had already priced in a December BoE rate hike due to growing inflationary pressure, but concerns over unemployment levels after the end of the furlough scheme, as well as rising COVID-19 cases, posed as risks. The pound dropped by 0.94% and 0.93% against the dollar and the euro respectively. In the incoming week, we expect the pound to ease further amid fears about the effectiveness of vaccines against the omicron coronavirus variant. Meanwhile Boris Johnson is also expected to announce tighter COVID-19 rules on Tuesday (30/11/2021), bringing back face mask requirements indoors and in public transportations.

EUR: The euro bounced back to end the month higher, helped by a weaker US dollar and falling bond yields as investors fear that a new and possibly vaccine-resistant coronavirus variant could hurt the ongoing economic recovery. The euro improved by 0.18% and 0.82% against the dollar and the pound respectively. We however expect the euro to be pressured in the coming week amid concerns over potential new COVID restrictions across Europe and as German business and consumer morale came in weaker-than-expected.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.91 USD1; GHS: 7.88 GBP1; GHS: 6.69 EUR1

- In the week under review, the cedi tumbled against the dollar but then again, it appreciated against the pound and euro respectively. The local unit dipped by 0.05% against the dollar. However, it went up by 0.98% and 0.06% against the pound and the euro respectively.

- The cedi fell against the greenback due to demand pressures from corporates and non-resident investors existing the local bond market.

- In the weeks ahead, we expect the Cedi to come under continuous pressure against the dollar due to the usual demand pressures during the festive season. Then again, our expectation is for the Bank of Ghana's forward FX auctions to cushion cedi.

SOUTH AFRICA: ZAR: 16.32 USD1; ZAR: 21.72 GBP1; ZAR: 18.40: EUR1

- In the week under review, the rand plunged against all the tracked currencies in our basket. The rand was down by 4.81% against the dollar. Likewise, it fell by 3.54% and 4.40% against the pound and the euro respectively.

- The South African rand dipped against dollar, touching its lowest since October 29th 2020, amid concerns over the discovery of a new and potentially vaccine-resistant coronavirus variant in the country, forcing new travel restrictions by the UK and some other countries ahead of the crucial festive season.

- At the same time, fears of tighter domestic lockdown restrictions mounted as a Cabinet meeting was scheduled for the weekend.

- The currency was already under pressure due to expectations of a faster monetary policy tightening by the Federal Reserve.

- In the week ahead, we expect the rand to remain under pressure as traders digest the latest Fed FOMC minutes, which showed policymakers were concerned about inflation and open to a faster pace of tapering, while also monitoring the pandemic situation.

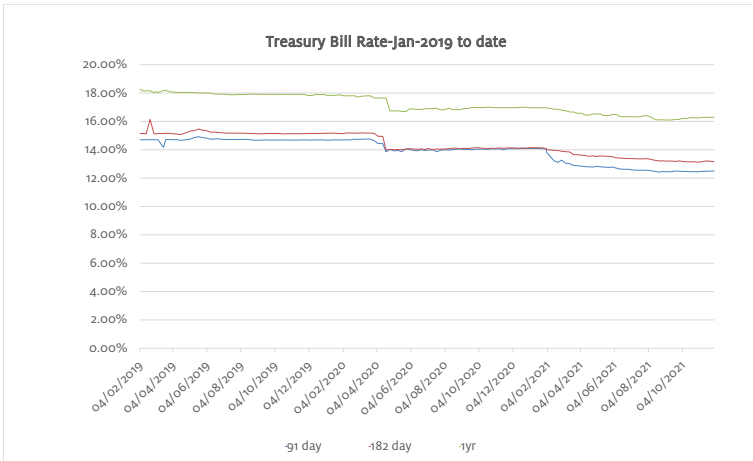
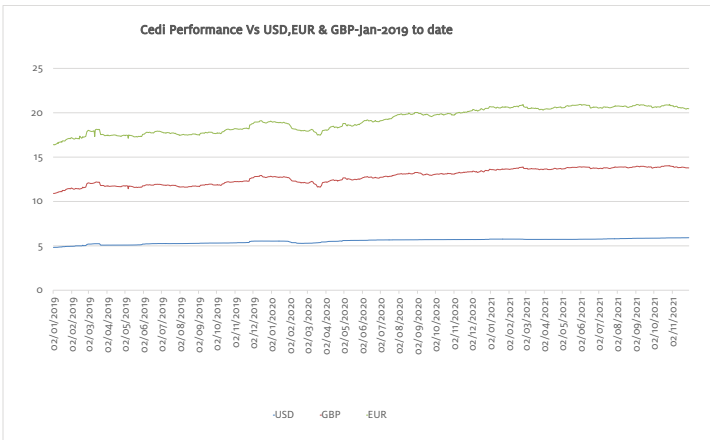
INDICATIVE EXCHANGE RATE FOR BANKS

During the week under review, NIB quoted the highest rate against the dollar at GHS6.26. This was followed by SBG and Absa, quoting GHS6.22 and GHS6.21 respectively. The rate for GCB was GHS6.17.

Sources: Quotes from respective banks

| GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %) | | | | | | |
|--|--------|-----------|--------|-----------|--------|-----------|
| REGION | US\$ | Wkly (%Δ) | £ | Wkly (%Δ) | € | Wkly (%Δ) |
| USA | 1.0000 | 0.00 | 1.3336 | 0.94 | 1.1291 | (0.18) |
| Europe | 0.8857 | 0.18 | 1.1818 | 0.82 | 1.0000 | 0.00 |
| UK | 0.7499 | (0.94) | 1.0000 | 0.00 | 0.8487 | (0.93) |
| Sources: GCB Bank, Central bank websites | | | | | | |

| AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %) | | | | | | |
|---|----------|-----------|----------|-----------|----------|-----------|
| COUNTRY | US\$ | Wkly (%Δ) | £ | Wkly (%Δ) | € | Wkly (%Δ) |
| Ghana | 5.9142 | (0.05) | 7.8804 | 0.98 | 6.6854 | 0.06 |
| Nigeria | 410.6400 | 0.11 | 547.5880 | 1.27 | 460.9430 | 1.19 |
| Kenya | 112.3850 | (0.18) | 149.9710 | 0.88 | 126.3020 | 0.67 |
| BCEAO* | 583.7500 | (0.81) | 776.5000 | 0.74 | 655.9600 | 0.00 |
| S. Africa | 16.3190 | (4.81) | 21.7223 | (3.54) | 18.4038 | (4.40) |
| Sources: GCB Bank, Central bank website | | | | | | |



| INDICATIVE EXCHANGE RATE FOR BANKS | | | |
|---------------------------------------|----------|------|------|
| | MIDRATES | | |
| BANKS | USD | GBP | EUR |
| NIB | 6.26 | 8.34 | 7.07 |
| SBG | 6.22 | 8.30 | 7.01 |
| Absa | 6.21 | 8.28 | 7.01 |
| FDL | 6.21 | 8.33 | 7.00 |
| CAL | 6.19 | 8.15 | 6.93 |
| CBG | 6.19 | 8.36 | 7.14 |
| SG | 6.18 | 8.23 | 6.96 |
| GCB | 6.17 | 8.15 | 6.89 |
| ADB | 6.17 | 8.08 | 6.86 |
| PBL | 6.11 | 8.31 | 6.97 |
| SC | 6.11 | 8.23 | 6.95 |
| Sources: Quotes from Respective Banks | | | |

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