

# WEEKLY CURRENCY REPORT

Date Issued | 17th January, 2022



## Global Fx Market

**USD:** The dollar slipped on Friday (14/01/2022) and headed for its biggest weekly loss in eight months after investors unwound hawkish bets on the US rates outlook. The December consumer price index rose at the fastest pace in nearly four decades, but failed to support the dollar further as it came in line with expectations and had largely been priced in by the markets. Federal Reserve chair Jerome Powell also dashed expectations of a more aggressive tightening in a Congressional testimony earlier last week. The dollar dipped by 0.57% and 0.97% against the pound and the euro respectively. We expect the dollar to rebound this week as investors await more data releases to guide the outlook for monetary policy, as signs of strong economic growth could reinforce a faster pace towards policy normalization.

**GBP:** The pound mixed performed to end the week supported by November's strong GDP numbers, expectations that the Bank of England will be raising interest rates in February to tame inflation and as fears about the adverse impact of the Omicron variant on the economy eased. In December, UK policymakers surprised investors by hiking Bank Rate from a record low, and markets have priced in up to four hikes this year. The pound went up by 0.57% against the dollar and fell by 0.25% against the euro. We however expect the pound to trade slightly lower this week as rising political uncertainty could hurt sterling as Prime Minister Boris Johnson has been facing calls to resign from some member of his party after admitting that he attended a staff party during the May 2020 lockdown.

**EUR:** The euro appreciated during the second week of January, touching the strongest level since mid-November, after the US inflation report showed a historic gain but the reading came in line with expectations, easing concerns that the Fed will need to tighten faster than initially announced. The euro gained by 0.98% and 0.04% against the dollar and the pound respectively. In the week ahead, we expect the euro to remain under minimal pressure as the European Central Bank is seen slower than other major central banks in tightening monetary policy, after announcing in December a reduction in the pace of its asset purchases while signaling interest rates will be kept at record-low levels for some time.

### GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3683	(0.57)	1.1447	(0.97)
Europe	0.8736	0.98	1.1975	0.04	1.0000	0.00
UK	0.7308	0.57	1.0000	0.00	0.8356	(0.25)

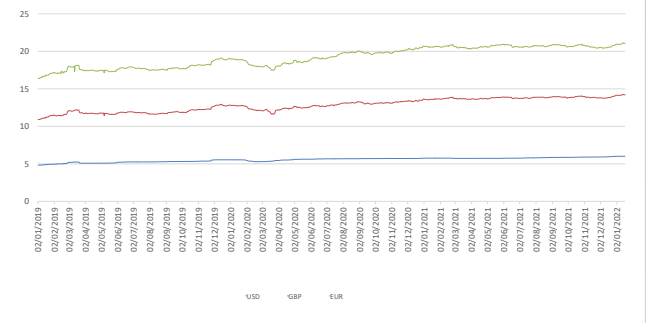
Sources: GCB Bank, Central bank websites

### AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

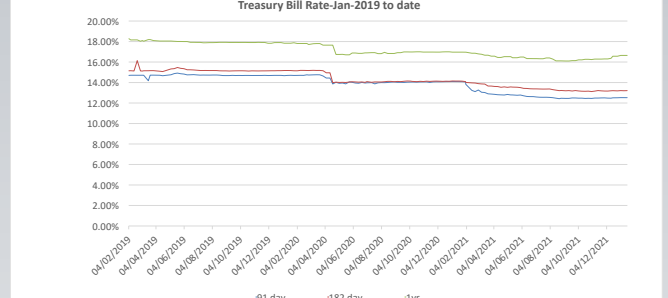
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.0063	0.00	8.2181	(0.67)	6.8630	(0.79)
Nigeria	414.3900	(0.11)	568.7920	(1.13)	474.6420	(1.09)
Kenya	113.3680	(0.11)	155.1330	(0.94)	129.4920	(0.96)
BCEAO*	572.2500	1.05	785.0000	0.10	655.9600	0.00
S. Africa	15.3200	1.71	21.0359	0.86	17.5682	0.64

Sources: GCB Bank, Central bank website

Cedi Performance Vs USD, EUR & GBP-Jan-2019 to date



Treasury Bill Rate-Jan-2019 to date



## African Fx Market Review And Outlook

**GHANA: GHS: 6.01 USD<sup>1</sup>; GHS: 8.22 GBP<sup>1</sup>; GHS: 6.86 EUR<sup>1</sup>**

- In the week under review, the cedi declined against all the tracked currencies in our basket but stayed flat against the dollar. The local unit remained stable against the dollar at GHS6.01. However, it plunged by 0.67% and 0.79% against the pound and the euro respectively.

- The local currency remained flat against the greenback, as the dollar struggled for momentum ahead of U.S. Federal Reserve Chair Jerome Powell's congressional hearing last week.

- Domestically, investors considered the prospect of tighter monetary conditions ahead of the 104th MPC meeting as global risk appetite becomes choppy-(affected by a mutating Covid-19 virus, rising global inflation and higher rates expectations) weighed on the cedi.

- In the weeks ahead, we expect the Cedi to remain under pressure due to fiscal and debt sustainability challenges in the domestic economy. On the flipside, we believe that the regular Fx auction by BoG on the market will provide some support for the cedi.

**SOUTH AFRICA: ZAR: 15.32 USD<sup>1</sup>; ZAR: 21.04 GBP<sup>1</sup>; ZAR: 17.57: EUR<sup>1</sup>**

- In the week under review, the rand appreciated against all the tracked currencies in our basket. The rand went up by 1.71% and 0.86% against the dollar and the pound respectively. As well, it was up by 0.64% against the euro.

- The South African rand advanced further on Friday, taking this week's gains to more than 2% against the dollar, after less hawkish commentary from Federal Reserve Chairman Jerome Powell and U.S. jobless numbers broadly in line with expectations pressured the dollar.

- Investor sentiment and trading moves have been see-sawing since the beginning of the year amid uncertainty about the size of likely U.S. monetary tightening and the exact timing of it.

- The rand also benefited from bets that the South African Reserve Bank will hike interest rates early this year.

- In the coming week, we expect the rand to trade lower as rising cases of the Omicron coronavirus variant overlap with concerns about faster-than-expected interest rate hikes by the U.S. Federal Reserve.

### INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
<b>CBG</b>	6.39	8.71	7.13
<b>NIB</b>	6.37	8.71	7.10
<b>SBG</b>	6.32	8.64	7.08
<b>FNB</b>	6.32	8.64	7.10
<b>Absa</b>	6.31	8.63	7.09
<b>SG</b>	6.30	8.65	7.10
<b>PBL</b>	6.30	8.58	7.09
<b>CAL</b>	6.29	8.46	7.13
<b>FDL</b>	6.28	8.55	7.15
<b>GCB</b>	6.27	8.52	7.03
<b>ADB</b>	6.27	8.59	7.00

Sources: Quotes from Respective Banks

## Indicative Exchange Rate For Banks

During the week under review, CBG quoted the highest rate against the dollar at GHS6.39. This was followed by NIB and SBG quoting GHS6.37 and GHS6.32. The rate for GCB was GHS6.27.

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