

## Global Fx Market

**USD:** The dollar firmed up on Friday (21/01/2022) and ended the week higher, as traders braced for fresh hawkish signals from the Federal Reserve meeting this week. The US central bank is set to meet on Jan. 25-26, 2022 and although it is not expected to move rates, there has been strong hawkish commentary coming from policymakers. The dollar was also supported by increased safe-haven demand amid a global equity selloff and heightened geopolitical tensions. The dollar appreciated by 0.91% and 0.87% against the pound and the euro respectively. We expect the dollar to remain firm this week as traders await fresh policy direction signals from the Federal Reserve meeting this week.

**GBP:** The pound plunged to end the week as investors remained concerned about the impact of rising inflation and tighter monetary policy by major central banks on slowing economic recovery. On the economic data front, British retail sales slumped 3.7% in December, a far bigger hit than the 0.6% fall forecast by markets and the biggest decrease since last January, 2021. The pound dipped by 0.91% and 0.19% against the dollar and the euro respectively. Elsewhere, UK Prime Minister Boris Johnson faces a crunch week for his leadership as he braces for the outcome of an investigation into Downing Street parties, while European Commission Vice President Maros Sefcovic and UK Foreign Secretary Liz Truss meet for Brexit talks. We therefore expect the pound to remain under pressure as investors eye the publication of key PMI data while awaiting the outcome of the US Federal Reserve's policy meeting.

**EUR:** The euro mixed performed during the fourth week of January, moving further away from a two-month peak hit earlier this month. This was after weaker-than-expected PMI data showed the Eurozone business activity growth slowed to an 11-month low while investors turned to the US dollar ahead of the Federal Reserve's policy statement due Wednesday (26/01/2022). The euro declined by 0.86% against the dollar, but it improved by 0.15% against the pound. The European Central Bank is seen slower than other major central banks in tightening monetary policy, with markets pricing in a 10 basis-point rate hike from the European Central Bank in September and betting on a second rate hike by December. We therefore expect the euro to trade lower in the week ahead as the European Central Bank's dovish stance on monetary tightening continue to weigh on the euro.

## African Fx Market Review And Outlook

**GHANA: GHS: 6.01 USD1; GHS: 8.15 GBP1; GHS: 6.82 EUR1**

- In the week under review, the cedi advanced against the pound and the euro but dropped against the dollar. The local unit depreciated by 0.06% against the dollar. On the other hand, it gained by 0.86% and 0.65% against the pound and the euro respectively.

- The local currency slipped on Friday (21/01/2022), as the dollar edged higher amid expectations of Federal Reserve interest rate hikes this year.

- The cedi appreciated marginally against the pound and the euro as investors track a cautious sentiment across international markets.

- Also fueling the relative stability of the cedi to the dollar is the upcoming MPC meeting and the policy direction of the Committee amid uncertainty in the fiscal and debt sustainability challenges in the domestic economy.

- In the weeks ahead, we expect the Cedi to trade slightly lower as the Central Bank will announce its first monetary policy decision of the year, with some traders expecting it to maintain the policy rate. Also, the regular Fx auction by BoG on the market will provide some support for the cedi.

**SOUTH AFRICA: ZAR: 15.16 USD1; ZAR: 20.56 GBP1; ZAR: 17.18: EUR1**

- In the week under review, the rand strengthened against all the tracked currencies in our basket. The rand rose by 1.08% and 2.30% against the dollar and the pound respectively. Also, it went up by 2.24% against the euro.

- The South African rand traded higher on Friday (21/01/2022), its highest since November 9th 2021, despite a stronger dollar, amid expectations that the South African Reserve Bank will raise its repo rate to 4% at its first monetary policy decision of the year on January 27th, 2022.

- South Africa's annual consumer inflation quickened faster than expected to a near five-year high of 5.9% in December from 5.5% in November, moving closer to the top of the central bank's target range of 3-6%.

- Meanwhile, concerns over South Africa's economic outlook continue to persist due to its fiscal, political and structural shortcomings, as well as uncertainty around the pandemic.

- We therefore expect the rand to trade slightly lower with traders set to scrutinize U.S. Federal Reserve's statement for clues about the speed and scale of its normalization plans.

## 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 Absa and SBG, both quoting GHS6.34. The rate for GCB was GHS6.28.

## ECONOMIC NEWS

- Ghana is expected to use about 3.3% of its GDP to service its external sovereign debt this year. This is according to Fitch Ratings. In its assessment of the economy which led to the downgrading of Ghana from B to B- with a negative outlook, the rating agency asserts government will use 3.3% of GDP in interest and amortization payments in 2022.

- The government, in a prudent fiscal consolidation move, has decided to cut down on its expenditure, up to a

- whopping 20 percent. To ensure that the government matches all expenditure to revenue inflows, all expenditure commitments in 2022 will be adjusted to match revenue collection. Therefore, the quarterly expenditure ceilings of the approved budget will include up to a 20% downward adjustment, beginning in the first quarter of 2022, in commitments across board for all covered entities benefiting from the 2022 Budget, subject to revenue performance.

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

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3559	0.91	1.1348	0.87
Europe	0.8812	(0.86)	1.1957	0.15	1.0000	0.00
UK	0.7375	(0.91)	1.0000	0.00	0.8372	(0.19)

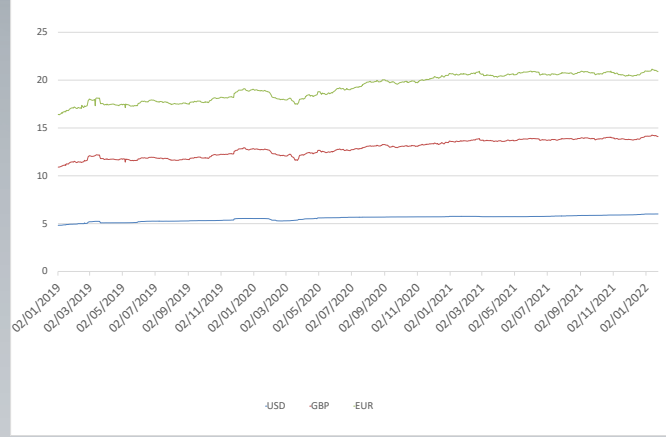
Sources: GCB Bank, Central bank websites

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

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.0099	(0.06)	8.1482	0.86	6.8189	0.65
Nigeria	415.0300	(0.15)	562.6980	1.08	470.3120	0.92
Kenya	113.5180	(0.13)	154.2980	0.54	128.6990	0.62
BCEAO*	578.7500	(1.12)	786.5000	(0.19)	655.9600	0.00
S. Africa	15.1567	1.08	20.5631	2.30	17.1832	2.24

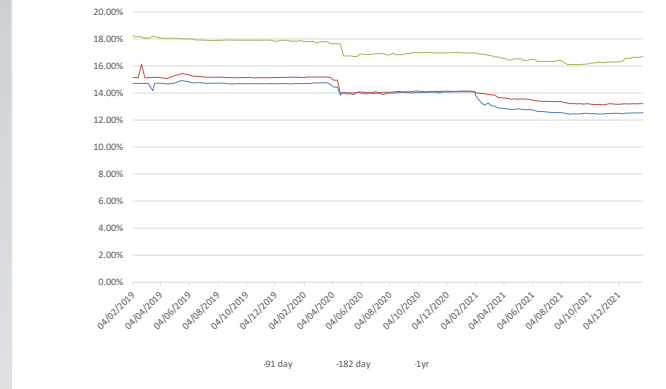
Sources: GCB Bank, Central bank website

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



USD GBP EUR

Treasury Bill Rate-Jan-2019 to date



91 day 182 day 1yr

### INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
<b>CBG</b>	<b>6.39</b>	<b>8.63</b>	<b>7.21</b>
<b>Absa</b>	<b>6.34</b>	<b>8.59</b>	<b>7.18</b>
<b>SBG</b>	<b>6.34</b>	<b>8.60</b>	<b>7.19</b>
<b>SG</b>	<b>6.33</b>	<b>8.59</b>	<b>7.18</b>
<b>FDL</b>	<b>6.31</b>	<b>8.56</b>	<b>7.12</b>
<b>NIB</b>	<b>6.31</b>	<b>8.55</b>	<b>7.15</b>
<b>SC</b>	<b>6.31</b>	<b>8.56</b>	<b>7.15</b>
<b>PBL</b>	<b>6.30</b>	<b>8.54</b>	<b>7.12</b>
<b>CAL</b>	<b>6.29</b>	<b>8.40</b>	<b>7.10</b>
<b>GCB</b>	<b>6.28</b>	<b>8.48</b>	<b>7.09</b>
<b>ADB</b>	<b>6.27</b>	<b>8.50</b>	<b>7.23</b>

Sources: Quotes from Respective Banks

# WEEKLY CURRENCY REPORT

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