



### GLOBAL FX MARKET

**USD:** The dollar was at the low end of their recent ranges to end the week, having fallen as investors favored riskier currencies along with equities. The dollar fell by 0.47% and 0.08% against the pound and the euro respectively. However, it ended 2021 with a yearly gain of 1.26% and 7.7% against the pound and the euro respectively as investors bet the U.S. Federal Reserve will raise rates earlier than most other major economies amid surging inflation driven by COVID-19 stimulus initiatives. The Federal Reserve announced at its December meeting it would end its pandemic-era bond purchases in March. Paving the way for three interest rate hikes by the end of 2022, as policymakers voiced concerns over persistently high inflation against a backdrop of a steady recovery in the labor market. Going into 2022, the dollar is expected to be stable supported by strong corporate seasons, massive fiscal and monetary stimulus, a fast-recovering economy and signs of a solid rebound in the labor market. We therefore expect the dollar to rebound this week as traders anticipate a faster pace of monetary policy tightening.

**GBP:** The pound hit its highest level as easing concerns about the economic impact of the pandemic boosted risk-on currencies, while analysts expect more rate rises from the Bank of England in 2022. Risk appetite was supported by signs that governments, despite coronavirus cases hitting record highs, are trying to limit the economic damage by relaxing rules on isolation rather than resorting to lockdowns. The pound gained by 0.48% and 0.56% against the dollar and the euro respectively. The GBP ended the year 2021 depreciating by 1.27% against the dollar while it appreciated by 6.63% against the euro. In the year 2022, the pound is expected to trade higher as investors remain optimistic about the economic recovery despite a rise in Covid-19 cases. We therefore expect the pound to remain stable in the week ahead after the UK government avoided imposing further coronavirus restrictions at the end of the year and as the Bank of England surprised investors in December by hiking interest rates from record-low levels.

**EUR:** The euro mixed performed at the end of December, remaining close to a recent 17-month low amid concerns over Europe's slowing economic growth on the back of surging prices and new COVID restrictions. The European Central Bank is seen tightening policy slower than the US Federal Reserve. The bloc's central bank announced earlier this month a reduction in the pace of its asset purchases due to the progress on economic recovery and towards its medium-term inflation target, but signaled interest rates will be kept at record-low levels for some time. The euro edged up by 0.08% against the dollar. However, it dipped by 0.43% against the pound. In 2021, the euro lost 8.34% and 6.99% against the dollar and the pound respectively. This year, we expect the euro to recover some loss amid concerns over Europe's slowing economic growth as the region struggles with surging prices and new COVID restrictions. Again, we expect the euro to trade flat this week as the European Central Bank is seen holding back a bit in monetary policy tightening compared to other major central banks.

### AFRICAN FX MARKET REVIEW AND OUTLOOK

#### **GHANA:** GHS: 6.01 USD1; GHS: 8.13 GBP1; GHS: 6.83 EUR1

- In the week under review, the cedi depreciated against all the tracked currencies in our basket. The local unit was down by 0.48% against the dollar. Also, it went down by 1.45% and 0.98% against the pound and the euro respectively. On year-to-date, the cedi depreciated by 4.27% and 3.21% against the dollar and the pound respectively whereas it gained 3.34% against the euro.

-The local unit edged lower due to concerns over Ghana's economic outlook due to the fourth wave of coronavirus infections driven by the omicron variant along with rising inflation.

-Meanwhile the persistent increased in demand for hard currencies from traders during the festive season, as well as high demand pressures from corporates and non-residents investors existing the local bond market also weighed on the cedi.

- We expect the cedi to weaken mildly further in 2022. Current account pressure will increase amid a widening of the deficit - driven by a sharp increase in imports as private consumption and fixed investment growth accelerates.

-In the weeks ahead, we expect the Cedi to trade slightly lower due to reduction in demand pressures as the festive season comes to an end.

#### **SOUTH AFRICA:** ZAR: 15.89 USD1; ZAR: 21.48 GBP1; ZAR: 17.98: EUR1

-In the week under review, the rand declined against all the tracked currencies in our basket. The rand was down by 1.60% against the dollar. Likewise, it plunged by 2.37% and 1.42% against the pound and the euro respectively. The rand ended the year 2021 with a loss of 8.65% and 7.48% against the dollar and the pound respectively. It gained by 0.06% against the euro.

-South Africa's rand weakened to end the year on Friday (31/12/2021), erasing an over one-month high reached last week, as investors continue to monitor the impact of the Omicron variant on the economy.

-A Bloomberg survey revealed economists were less optimistic about the recovery of South Africa, revising lower the country's 2021 growth to 4.9% from a prior estimate of 5.1% amid concerns about the latest virus wave.

- On the other hand, a new study from South Africa suggested that the Omicron strain limited chances of reinfection with the Delta variant, while papers released last week showed lower hospitalization rates and milder cases in patients infected with the Omicron coronavirus variant.

-We expect the rand to trade slightly lower this year as South African Reserve Bank policymakers voiced concerns over South Africa's economic growth outlook, amid rising inflation, weaker commodity export prices, stagnant investment, and the long term impact of the pandemic.

#### Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor. Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.  
©2019 GCB Bank Limited. All rights reserved.



-However, this week we expect the rand to be stable as market sentiment remain supported by optimism around a global recovery, despite risks from the Omicron variant of the Covid-19 and inflationary pressures.

### INDICATIVE EXCHANGE RATE FOR BANKS

During the week under review, CBG quoted the highest rate against the dollar at GHS6.32. This was followed by Absa and FNB, quoting GHS6.31 and GHS6.30 respectively. The rate for GCB was GHS6.26.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGIO N	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3477	(0.47)	1.1326	(0.08)
Europe	0.8829	0.08	1.1901	(0.43)	1.000	0.00
UK	0.7420	0.48	1.000	0.00	0.8398	0.56

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.0061	(0.48)	8.1272	(1.45)	6.8281	(0.98)
Nigeria	412.990	(0.37)	556.421	(0.78)	467.505	(0.27)
Kenya	113.141	(0.05)	152.054	(0.66)	127.993	(0.03)
BCEAO*	580.000	(0.17)	783.000	(0.93)	655.96	0.00
S. Africa	15.8899	(1.60)	21.4752	(2.37)	17.9794	(1.42)

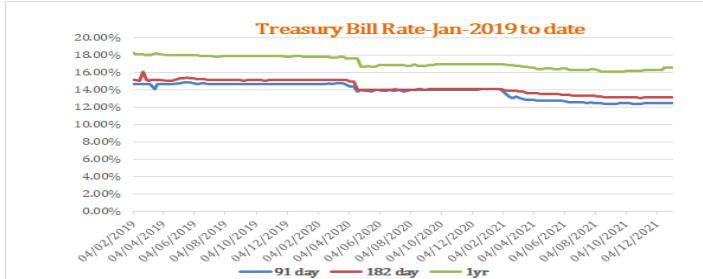
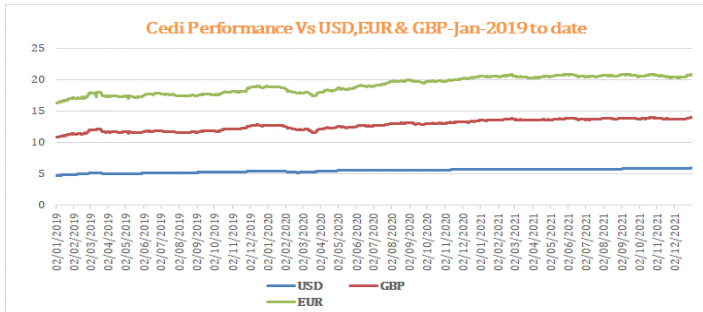
Sources: GCB Bank, Central bank website

YEAR TO DATE PERFORMANCE (%)			
	US\$	£	€
USD	0.00	1.26	7.70
GBP	(1.27)	0.00	6.63
EUR	(8.34)	(6.99)	0.00
CEDI	(4.27)	(3.21)	3.34
NAIRA	(8.82)	(7.41)	(0.35)
CBK	(3.64)	(3.29)	4.41
RAND	(8.65)	(7.48)	0.06

Sources: Quotes from respective Central banks

INDICATIVE EXCHANGE RATE FOR BANKS			
BANKS	MIDRATES		
	USD	GBP	EUR
CBG	6.32	8.36	7.10
Absa	6.31	8.46	7.15
FNB	6.30	8.41	6.30
SG	6.28	8.42	7.12
SBG	6.28	8.43	7.12
FDL	6.28	8.44	7.13
GCB	6.26	8.33	7.03
CAL	6.26	7.08	8.21
NIB	6.26	8.39	7.07
ADB	6.25	8.27	7.06
SC	6.15	8.30	6.96

Sources: Quotes from Respective Banks



**Disclaimer**  
 This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor. Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.  
 All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document does not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.  
 ©2019 GCB Bank Limited. All rights reserved.