

Global Fx Market

USD: The dollar weakened on Friday (04/02/2022) and lost about 2% for its worst weekly decline since March 2020, as traders reassessed the outlook for monetary policy following a hawkish shift from major central banks. The Bank of England raised rates by 25 bps although nearly half of its members wanted a bigger 50 bps increase to tame inflation. Meanwhile, the European Central Bank kept rates unchanged, but ECB president Christine Lagarde declined to rule out a rate hike this year citing mounting inflation risks. The dollar plunged by 0.85% and 2.84% against the pound and the euro respectively. We therefore expect the dollar to rebound after US nonfarm payrolls significantly surpassed market expectations. Also, investors now await US inflation data which is due this week, where a negative outcome could weigh on market sentiment and vice versa.

GBP: The pound mixed performed on Friday (04/02/2022), as investors reacted to an expected 25 bps rate hike by the Bank of England in response to the highest inflation rate in three decades. At the same time, policymakers announced the start of tapering the central bank's £875 billion QE (Quantitative easing) program by immediately stopping reinvesting the proceeds of expired gilts, as well as plans to offload the whole stock of corporate bonds by the end of 2023. The pound gained by 0.86% against the dollar and tumbled by 1.58% against the euro. We expect the pound to remain stable in the week ahead as investors continue to weigh prospects of a faster tightening from the BoE, mixed corporate results, the Ukraine crisis and the political turmoil around Boris Johnson leadership.

EUR: The euro strengthened, its highest since November 2021 and was on track to gain approximately 3% on the week after comments from ECB policymakers signaled a hawkish stance on the back of unanimous concerns over higher inflation across the ECB's board. During the ECB press conference, President Lagarde ruled out keeping the rates stable this year saying the bank would assess conditions very carefully and when the time is right, the ECB will hike rates. The euro advanced by 2.93% and 1.70% against the dollar and the pound respectively. We however expect the euro to trade lower in the coming week as the dollar is expected to bounce back powered by better-than-expected US nonfarm payrolls report, strengthening the case for interest rate hikes by the Federal Reserve in March, 2022.

African Fx Market Review And Outlook

GHANA: GHS: 6.12 USD1; GHS: 8.26 GBP1; GHS: 6.97 EUR1

- In the week under review, the cedi stumbled against all the tracked currencies in our basket. The local unit declined by 1.39% against the dollar. Then again, it depreciated by 2.32% and 3.78% against the pound and the euro respectively.

- The local currency struggled amid a soft dollar and higher investment income outflows stemming from increased interest payments, and dividend and profit repatriation.

- Also, the prospect of a faster policy tightening by the US Federal Reserve, BoE raising rates by 25 bps as expected and comments from ECB policymakers signaling a hawkish stance continued to dent risk appetite for the cedi.

- In the weeks ahead, we however expect the Cedi to ease slightly supported by Ghana's net international reserves which ended 2021 at \$6.09 billion which is equivalent to 4.4 months of import cover. Also, the periodic intervention by the Central Bank through Fx auction on the market is expected to support the cedi.

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

- In the week under review, the rand improved against the dollar, but then again dipped against the pound and the euro respectively. The rand was up by 1.53% against the dollar. However, it dropped by 0.03% and 1.37% against the pound and the euro respectively.

- The South African rand recovered some gains, amid a softer dollar and despite heightened domestic risks due to continued scheduled power cuts.

- South Africa's economy has been hit by energy shortages as power utility Eskom struggles to address long-standing operational and financial challenges, with the emergency program to add generation from private producers experiencing multiple delays.

- At the same time, the country's economic outlook remains fragile amid ongoing concerns around the evolution of the pandemic, higher inflation and interest rates and policy uncertainty.

- Also, the prospect of a faster policy tightening by the US Federal Reserve and worries about a potential military conflict in Eastern Europe limited further gains.

- This week, we expect the rand to end lower as the dollar is projected to gain some grounds. Also, heightened domestic risks due to continued scheduled power cuts is expected to put some pressure on the rand.

Indicative Exchange Rate For Banks

During the week under review, NIB quoted the highest rate against the dollar at GHS6.51. This was followed by CBG and SG, quoting GHS6.50 and GHS6.48 respectively. The rate for GCB was GHS6.41.

ECONOMIC NEWS

• The performance of Ghana's banking sector in 2021 pointed to sustained growth in assets, deposits, and investments alongside improvements in the financial soundness indicators. In the year, total assets grew by 20.4% to GH¢179.8bn as at Dec. 2021.

• Also, The Bank of Ghana (BoG) has raised some GHS1,781m from the issuance of its own bills. The BoG bills with a maturity period of 14 days was auctioned by the Central Bank on Wednesday, Feb. 2, 2022.

• Ghana slammed a debt downgrade by Moody's Investors Service, saying it was "gravely concerned" and that the ratings company left out key data to arrive at its decision. Moody's lowered Ghana's long-term debt one step to Caa1 from B3 on Feb. 4, 2022 citing an increasingly difficult task the government faces in addressing its liquidity and debt challenges amid revenue-generation constraints.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

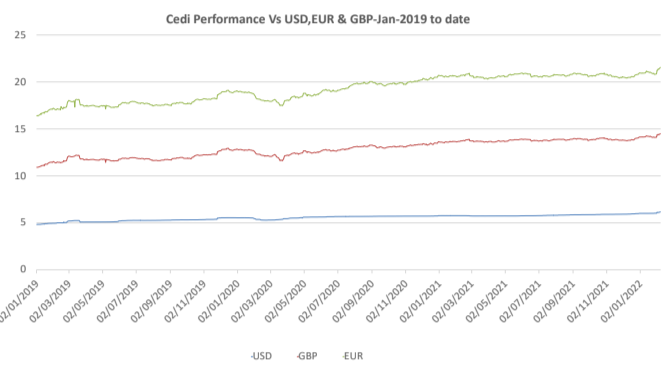
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3530	(0.85)	1.1464	(2.84)
Europe	0.8723	2.93	1.1821	1.70	1.0000	0.00
UK	0.7391	0.86	1.0000	0.00	0.8457	(1.58)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.1077	(1.39)	8.2628	(2.32)	6.9743	(3.78)
Nigeria	416.3800	(0.13)	565.2780	(1.52)	477.8380	(3.10)
Kenya	113.6030	(0.03)	153.6480	(0.68)	128.0780	(0.55)
BCEAO*	572.5000	2.93	778.2500	1.38	655.9600	0.00
S. Africa	15.2606	1.53	20.7247	(0.03)	17.4780	(1.37)

Sources: GCB Bank, Central bank website



INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
NIB	6.51	8.88	7.50
CBG	6.50	8.78	7.41
SG	6.48	8.79	7.42
CAL	6.43	8.55	7.21
SBG	6.43	8.72	7.36
FNB	6.42	8.69	7.34
FDL	6.42	8.72	7.36
Absa	6.41	8.68	7.33
ADB	6.41	8.53	7.23
GCB	6.41	8.60	7.22
SC	6.36	8.54	7.10

Sources: Quotes from Respective Banks

WEEKLY CURRENCY REPORT

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