

Global Fx Market

USD: The dollar climbed higher against the euro but then again dipped against the pound on Friday (11/02/2022) after hotter-than-expected US inflation and hawkish comments from a Federal Reserve official fueled bets for a more aggressive tightening. US inflation hit 7.5% in January, accelerating at its fastest pace since February 1982 and coming in higher than forecasted. Treasury yields spiked in reaction to the data, with the benchmark 10-year yield breaking above 2% for the first time since 2019. The hot inflation reading also prompted St. Louis Fed president James Bullard to call for accelerating rate hikes with a full percentage point increase by the start of July, 2022. The dollar tumbled by 0.54% against the pound and inched up by 0.41% against the euro. We however expect the dollar to recover this week backed by escalating geopolitical tensions in Eastern Europe, boosting the currency safe-haven demand.

GBP: The pound ended the week higher on Friday (11/02/2022), amid uncertainty about the future path of the Bank of England's monetary policy. Bank of England Chief Economist Huw Pill said that it was reasonable for central banks to withdraw from providing detailed guidance on the policy outlook. Also, Bank of England Governor Andrew Bailey warned markets not to take for granted the BoE was embarking on a rate hiking cycle, while the BoE's downward revision to inflation forecasts assumed interest rates at 1.5% by mid-2023. The pound improved by 0.54% and 0.89% against the dollar and the euro respectively. We expect the pound to remain steady in the week ahead tracking a general risk-off mood in Europe, amid increasing concerns over a Russia's invasion of Ukraine.

EUR: The Euro extended losses to end the week, as investors rush to safe havens amid increasing concerns of war in Europe and after a hotter-than-expected inflation rate in the US. Tensions with Russia escalated, with the US warning that Russia could invade Ukraine at any time while the G7 Finance Ministers notified of "massive" economic consequences if it chooses to invade Ukraine. The euro plunged by 0.41% and 0.75% against the dollar and the pound respectively. We expect the euro to remain under minimal pressure in the coming week, after European Central Bank President Christine Lagarde signaled a gradual shift in ECB policy to tackle record inflation.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

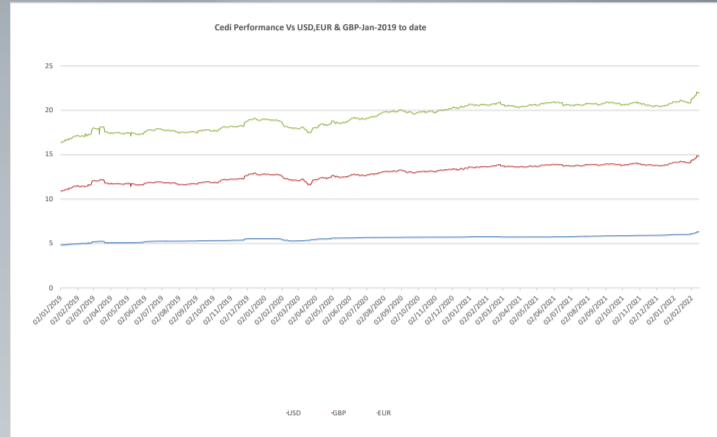
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3603	(0.54)	1.1417	0.41
Europe	0.8759	(0.41)	1.1911	(0.75)	1.0000	0.00
UK	0.7351	0.54	1.0000	0.00	0.8382	0.89

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.3020	(3.08)	8.5754	(3.65)	7.1867	(2.95)
Nigeria	416.4100	(0.01)	564.8190	0.08	474.4160	0.72
Kenya	113.6270	(0.02)	153.8540	(0.13)	129.6140	(1.19)
BCEAO*	576.2500	(0.65)	780.0000	(0.22)	655.9600	0.00
S. Africa	15.1005	1.06	20.4755	1.22	17.2032	1.60

Sources: GCB Bank, Central bank website



African Fx Market Review And Outlook

GHANA: GHS: 6.30 USD1; GHS: 8.58 GBP1; GHS: 7.19 EUR1

- In the week under review, the cedi fell against all the tracked currencies in our basket. The local unit was down by 3.08% against the dollar. Likewise, it weakened by 3.65% and 2.95% against the pound and the euro respectively.

- The local unit depreciated by about 3% last week in its worst performance as investors ramped up their bets on rate hikes following a hotter-than-expected US inflation and the hawkish turn in the latest ECB press conference due to mounting inflation risks.

- Also, the local currency is still under minimal pressure from growing policy difference and higher investment income outflows stemming from increased interest payments, and dividend and profit repatriation.

- In the week ahead, we expect the cedi to see continuous depreciation but at a diminishing rate, supported by Fx auctions on the market by BoG.

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

- In the week under review, the rand appreciated against all the tracked currencies in our basket. The rand rose by 1.06%, 1.22% and 1.60% respectively against the dollar, pound and the euro.

- The South African rand traded higher on Friday (11/02/2022), its highest since January 25th 2022, mainly supported by fresh reform pledges by President Cyril Ramaphosa during its pro-business State of the Nation Address.

- The President announced plans for green energy projects worth USD 17.8 billion over the next decade, including the industrialization of the production of cannabis, with strong potential to create 130,000 jobs.

- Ramaphosa also said that a social grant put in place to cushion the impact of the COVID-19 pandemic will be extended for a year and promised new intensity for the fight against corruption.

- Tackling "unreliable electricity supply" by Eskom was also listed as a top priority.

- Meanwhile, the prospect of a more hawkish Fed and escalating geopolitical tensions between Russia and Ukraine capped gains.

- This week, we expect the rand to remain stable as traders will closely watch January inflation figures and December retail sales for clues about price pressures and the health of South Africa's economy.

INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
CAL	6.55	8.72	7.46
NIB	6.54	8.79	7.39
SG	6.52	8.84	7.43
CBG	6.52	8.80	7.37
FDL	6.50	8.89	7.44
SC	6.50	7.81	7.40
Absa	6.49	8.78	7.36
SBG	6.47	8.78	7.37
GCB	6.46	8.71	7.35
ADB	6.41	8.53	7.23
FNB	6.41	8.67	7.27

Sources: Quotes from Respective Banks

Indicative Exchange Rate For Banks

During the week under review, CAL quoted the highest rate against the dollar at GHS6.55. This was followed by NIB and SG, quoting GHS6.54 and GHS6.52 respectively. The rate for GCB was GHS6.46.

ECONOMIC NEWS

• The International Monetary Fund (IMF) has indicated that Ghana is yet to request a financial programme from the institution. This comes on the back of calls by some stakeholders for Ghana to seek a bailout from the IMF to address its current economic challenges. Despite harsh criticisms, the government continues to maintain that the most prudent measure in the face of Ghana's ailing economy is not to go back to the IMF but rather to rely on E-levy and other homegrown measures to raise revenue domestically.

• Also, Five of Africa's heavily-indebted countries Ghana, Kenya, Angola, Ethiopia and Zambia are about to experience serious debt risks, according to Standard Bank Group. The five countries have already been red-flagged by the leading Pan-African bank which described them as "the fragile five". Business Insider Africa gathered that Ghana's debt risk is being fueled by the country's deteriorating public finances. Bloomberg quoted Jibrán Qureishi, the Head of African research at Standard Bank Group, to have said that Ghana will probably need an IMF bail-out to be able to restore confidence in investors.

WEEKLY CURRENCY REPORT

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