

Global Fx Market

USD: The dollar traded higher on Friday (28/01/2022), its biggest weekly gain since June 2021, as investors came to terms that aggressive Fed interest rate hikes are imminent. On Wednesday (19/01/2022), the US central bank set a more hawkish tone signaling a rate hike in March and suggesting more frequent and larger interest rate increases could take place this year as the economy is getting stronger. Reinforcing this view is the latest data showing the US economy grew by 6.9% in Q4, much more than expected. The dollar strengthened by 1.07% and 1.89% against the pound and the euro respectively. We expect the dollar to continue trading higher this week as investors brace for upcoming interest rate hikes from the Federal Reserve.

GBP: The pound mixed performed during the fourth week of January, hovering around its weakest level since the end of December, as investors turned to the US dollar after the Federal Reserve announced a March interest-rate hike to combat inflation. At the same time, geopolitical tensions between Western leaders and Russia over Ukraine continued to weigh on sentiment, as well as rising political uncertainty in the UK as Prime Minister Boris Johnson braces for the outcome of an investigation into Downing Street parties during the 2020 lockdowns. The pound dropped by 1.06% against the dollar but it improved by 0.59% against the euro. The Bank of England's monetary policy meeting is due this week, as well as the report into pandemic parties in Boris Johnson's office to be released. Any unfavourable outcome of the above situation will weigh on the pound and vice versa.

EUR: The euro depreciated, hovering around its weakest level since June 2020, as investors rushed for the US dollar after the Federal Reserve signaled it would start its policy tightening process in March while Chair Jerome Powell said there was quite a bit of room to raise interest rates. The single currency was already under pressure last week after data pointed to a sharp slowdown in the Eurozone's economic growth in Q4-21. Also, worries about a potential military conflict in Ukraine weighed on the euro. The euro declined by 1.85% and 0.54% against the dollar and the pound respectively. We therefore expect the euro to remain under pressure in the week ahead as the economic sentiment indicator in the Euro Area fell to 112.7 in January of 2022 from a downwardly revised 113.8 in December and well below market forecasts of 114.5.

African Fx Market Review And Outlook

GHANA: GHS: 6.02 USD1; GHS: 8.07 GBP1; GHS: 6.71 EUR1

- In the week under review, the cedi plunged against the strong dollar, then again it rose against the pound and the euro. The local unit was down by 0.21% against the dollar. However, it went up by 0.95% and 1.61% against the pound and the euro respectively.

- The local currency fell against the dollar as investors continued to digest the prospect of sharper interest rate hikes by the Federal Reserve, together with higher investment income outflows stemming from increased interest payments, and dividend and profit repatriation.

- The cedi firmed slightly versus the pound and euro as the strong reserve position provided some buffers for the local currency while ongoing Russia-Ukraine tensions weighed on market sentiment.

- In the weeks ahead, we expect the Cedi to remain stable 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 regular Fx auction by BoG on the market is also 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 depreciated against all the tracked currencies in our basket. The rand fell by 2.17% and 0.75% against the dollar and the pound respectively. Also, it was down by 0.32% against the euro.

- The South African rand was trading around 15.49 against USD, its lowest since January 10th, 2022 amid a general dollar strength although the South African Reserve Bank decided to lift its benchmark interest rate by 25 bps to 4% citing inflation risks.

- Inflation forecasts were revised slightly higher to 4.9% in 2022 (vs 4.3% in November) but lowered to 4.5% in 2023 (vs 4.6%).

- Meanwhile, the GDP growth projections were kept unchanged at 1.7% for 2022 and 1.8% for 2023. Policymakers noted that South Africa's economy rebounded strongly from the pandemic in 2021, but going forward the growth rate will slow and remain subject to various risks, including the possibility of a faster normalization of global policy rates.

- We expect the rand to trade lower with traders still concerned about South Africa's economic outlook due to its fiscal, political and structural shortcomings, as well as uncertainty around the pandemic.

Indicative Exchange Rate For Banks

During the week under review, CBG just like the previous week quote the highest rate against the dollar at GHS6.45. This was followed by Absa and NIB, quoting GHS6.39 and GHS6.38 respectively. The rate for GCB was GHS6.31.

ECONOMIC NEWS

- Member states of the AfCFTA have concluded their negotiations on rules of origin, a move expected to further reduce tariffs on original goods within the African continent. Ebrahim Patel, chairperson of the African Union (AU) Ministers of Trade, said the adopted rules could cover 87.7% of goods on the tariff lines of member states.

- Also, Ghana's public debt stock shot up by €2.7bn to hit €344.5bn in Nov. 2021, the Jan. 2022 Bank of Ghana Summary of Economic and Financial Data has revealed. This pushed the debt to GDP to 78.4% and further emphasized that the country's debt has reached disturbing levels.

- Ghana's net international reserves ended 2021 at \$6.09 billion, higher than the \$5.56 billion recorded during the same period last year. This is equivalent to 4.4 months of import cover. According to data from the Bank of Ghana, the reserves decline from \$8.23 billion in May 2021 to \$7.25 billion in September 2021, before rising to \$7.32 billion in October 2021.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3415	1.07	1.1138	1.89
Europe	0.8978	(1.85)	1.2022	(0.54)	1.0000	0.00
UK	0.7454	(1.06)	1.0000	0.00	0.8323	0.59

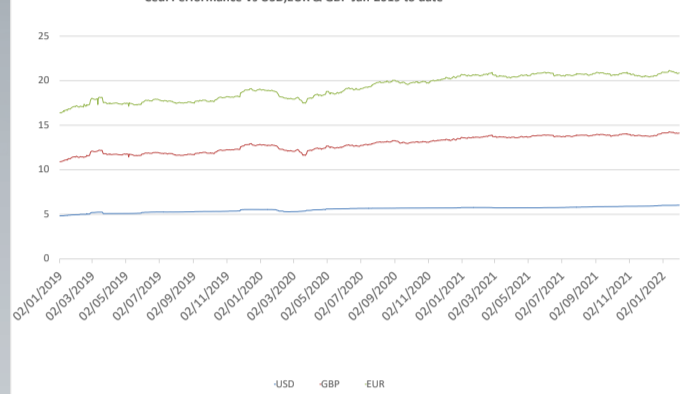
Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.0226	(0.21)	8.0715	0.95	6.71085	1.61
Nigeria	415.8300	(0.19)	556.7130	1.07	463.0270	1.57
Kenya	113.5710	(0.05)	152.6030	1.11	127.3740	1.04
BCEAO*	589.2500	(1.78)	789.0000	(0.32)	655.9600	0.00
S. Africa	15.4935	(2.17)	20.7178	(0.75)	17.2388	(0.32)

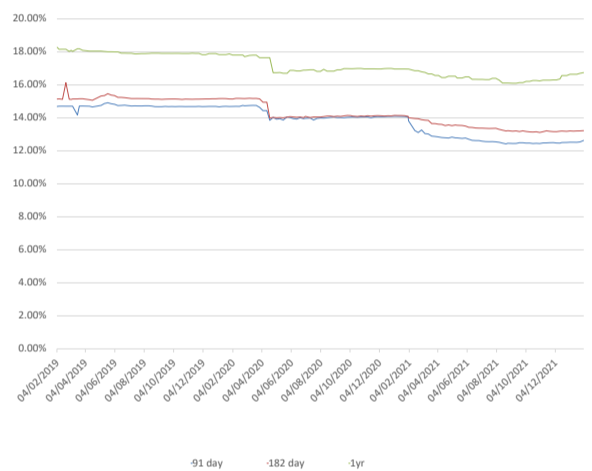
Sources: GCB Bank, Central bank website

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

Sources: Quotes from Respective Banks

WEEKLY CURRENCY REPORT

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