

## Global Fx Market

**USD:** The dollar declined on Friday (18/03/2022) as investors continued to assess the impact of the Federal Reserve's measured move to tighten monetary policy. The greenback weakened even after the Fed delivered its first interest rate hike since 2018 and signaled the equivalent of a quarter-point increase at each of its six remaining policy meetings this year to combat inflation. The Fed has also downgraded its GDP estimate for 2022 to a 2.8% expansion from the 4% it predicted in December, citing high prices and economic disruptions from the war in Ukraine. The dollar dropped by 0.67% and 0.16% against the pound and the euro respectively. We expect the dollar to rebound slightly this week as investors continue to monitor the ongoing ceasefire talks between Russia and Ukraine after officials from both countries said their positions remained far apart as the war entered its fourth week.

**GBP:** The pound appreciated on Friday (18/03/2022), as investors awaits a key Bank of England decision where it is widely expected to announce a quarter-point interest rate hike to tame surging inflation. Inflationary pressures are mounting, with the UK inflation standing at levels not seen since 1992 although the effects of the war in Ukraine on food and energy prices were not included yet in the latest CPI report. Markets are betting rates in the UK will hit 1% in May. The pound improved by 0.67% and 0.05% against the dollar and the euro respectively. We however expect the pound to remain stable in the week ahead as investors keep an eye on the central bank's economic outlook following the Russian invasion of Ukraine and any plans on the process of balance sheet reduction ahead of the Bank of England interest rate decision.

**EUR:** The euro traded slightly higher as the odds are rising on the ECB raising interest rates this year while traders continue to follow developments around Russia-Ukraine ceasefire talks. The ECB said it may end asset purchases in Q3 as surging inflation more than offset concerns about Russia's shock invasion of Ukraine. The bloc's inflation is already running at record highs and is now likely to be more persistent on the back of higher commodity prices and a tight labor market. The euro advanced by 0.16% against the dollar, but then again, it dipped by 0.11% against the pound. We expect the euro to trade slightly lower this week as traders digest the recent Fed move while progress in talks between Russia and Ukraine stalled.

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

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.00000	0.00	1.3173	(0.67)	1.1008	(0.16)
Europe	0.9084	0.16	1.1922	(0.11)	1.00000	0.00
UK	0.7591	0.67	1.00000	0.00	0.8388	0.05

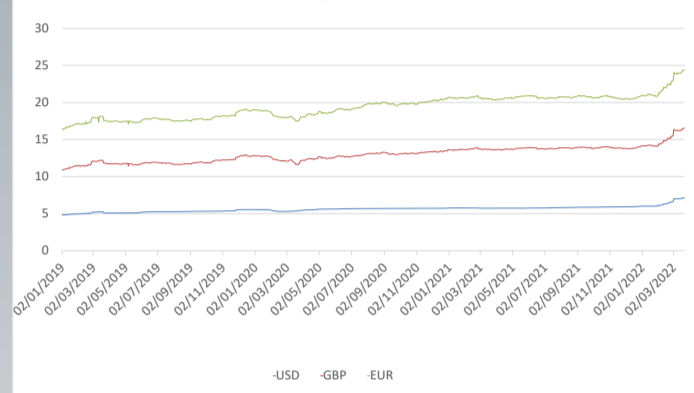
Sources: GCB Bank, Central bank websites

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

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	7.1125	(1.23)	9.3533	(1.84)	7.8451	(1.93)
Nigeria	415.89	(0.02)	546.355	(0.23)	458.56	(0.13)
Kenya	114.381	(0.18)	150.446	(0.03)	126.397	(0.23)
BCEAO*	593.75	0.46	781.25	(0.10)	655.96	0.00
S. Africa	14.9391	0.96	19.6411	0.41	16.5286	0.19

Sources: GCB Bank, Central bank website

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



## African Fx Market Review And Outlook

**GHANA: GHS: 7.11 USD<sup>1</sup>; GHS: 9.35 GBP<sup>1</sup>; GHS: 7.85 EUR<sup>1</sup>**

- In the week under review, the cedi depreciated against all the tracked currencies in our basket. The local unit stumbled by 1.23% against the dollar. Then again, it plunged by 1.84% and 1.93% against the pound and the euro respectively.

- The local unit weakened on Friday (18/03/2022), as investors assessed the impact of the start of the U.S. Federal Reserve's rate tightening cycle last week.

- Again, demand pressures for dollars arising out of investment income outflows, the purchase of refined crude by BDC's and profit repatriation is weighing on the local currency.

- The Central Bank is expected to hike interest rates at the conclusion of the MPC meeting this week amid the upside risks to inflation as a result of rising commodity prices (oil) and cedi depreciation.

- In the week ahead, our expectation is for the cedi to rebound slightly as investors weigh central banks' tightening cycles, with the odds tilted towards the Central Bank hiking its policy rate to fight inflationary pressures.

**SOUTH AFRICA: ZAR: 14.94 USD<sup>1</sup>; ZAR: 19.64 GBP<sup>1</sup>; ZAR: 16.53; EUR<sup>1</sup>**

- In the week under review, the rand increased against all the tracked currencies in our basket. The rand went up by 0.96%, 0.41% and 0.19% against the dollar, pound and the euro respectively.

- The South African rand was trading around 15 against USD, not far from a four-month high of 14.9 touched on March 16th, 2022 supported by elevated precious metals prices after the Federal Reserve announced its first interest rate hike since 2018 and signaled further increases to combat inflation.

- Market sentiment was also buoyed by signs of progress in peace talks between Russia and Ukraine and pledges of more economic stimulus in China.

- Locally, the South African Reserve Bank is expected to hike interest rates by a further 25 basis points at the next meeting on March 24th, 2022 amid the upside risks to inflation stemming from the Russia-Ukraine war.

- This week, we expect the rand to trade sideways as concerns persist about domestic structural weaknesses, with recurrent power cuts weighing on the country's economic outlook.

## Indicative Exchange Rate For Banks

During the week under review, CBG quoted the highest rate against the dollar at GHS7.60. This was followed by SOGEGH and NIB, quoting GHS7.55 and GHS7.45 respectively. The rate for GCB was GHS7.18.

## ECONOMIC NEWS

• Latest data released by the Bank of Ghana puts Ghana's total public debt stock as at December, 2021, at US\$ 58.6 billion or GH¢351.8 billion. The amount is equivalent to 80.1% of Ghana's Gross Domestic Product, the highest level recorded in recent history.

• Also, Ghana's net reserves fell to \$6.09 billion in February 2022, from \$6.079 billion recorded in December 2021, data from the Bank of Ghana has revealed. This is equivalent to 4.3 months of import cover.

### INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
<b>CBG</b>	<b>7.60</b>	<b>9.95</b>	<b>8.33</b>
<b>SOGEGH</b>	<b>7.55</b>	<b>9.86</b>	<b>8.30</b>
<b>NIB</b>	<b>7.45</b>	<b>9.40</b>	<b>7.98</b>
<b>CAL</b>	<b>7.44</b>	<b>9.48</b>	<b>8.01</b>
<b>SC</b>	<b>7.39</b>	<b>9.75</b>	<b>8.20</b>
<b>Absa</b>	<b>7.36</b>	<b>9.69</b>	<b>8.12</b>
<b>FDL</b>	<b>7.35</b>	<b>9.48</b>	<b>7.95</b>
<b>SBG</b>	<b>7.30</b>	<b>9.53</b>	<b>8.01</b>
<b>FNB</b>	<b>7.26</b>	<b>9.57</b>	<b>8.02</b>
<b>GCB</b>	<b>7.18</b>	<b>9.47</b>	<b>7.98</b>
<b>ADB</b>	<b>7.13</b>	<b>9.33</b>	<b>7.72</b>
<b>PBL</b>	<b>7.05</b>	<b>9.62</b>	<b>8.09</b>

Sources: Quotes from Respective Banks

# WEEKLY CURRENCY REPORT

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