

Global Fx Market

USD: The dollar appreciated on Friday (25/02/2022), as safe-haven demand for the currency jumped after president Vladimir Putin announced that Russia would launch a military operation in Ukraine, with explosions being reported in Kyiv. Putin warned other countries that any attempt to interfere with the Russian action would lead to “consequences they have never seen,” according to Reuters. The dollar gained by 1.25% and 1.23% against the pound and the euro respectively. Meanwhile, investors are also keeping an eye on accelerating inflation and ensuing rate hikes from the Federal Reserve, after Fed governor Michelle Bowman said that she will assess incoming data in deciding whether a half percentage point rate increase at the March meeting is needed. We however expect the dollar to ease this week as the latest developments in the Ukrainian crisis dull demand for havens.

GBP: The pound traded near a two-month low, as traders rushed to the safe-haven dollar after Russia launched a broad attack on Ukraine. Russia’s head of state Vladimir Putin announced a military operation in its neighbor country in the early hours of Thursday (24/02/2022), which has drawn condemnation and promises of severe sanctions from the US and its allies. The pound dipped by 1.24% and 0.39% against the dollar and the euro respectively. The escalation of tensions to a full-fledged war and its economic impact might alter the Bank of England’s rate hike path in the near-term, with analysts seeing more likely a softer tightening cycle than before the crisis. We therefore expect the pound to hold steady in the week ahead as prospects of interest rate hikes offset concerns over the economic fallout from Russia’s invasion of Ukraine.

EUR: The Euro little changed on Friday (25/02/2022), as traders follow the crisis in Ukraine. New sanctions on Russia were announced by western countries after the invasion of Ukraine. The EU will freeze Russian assets in the bloc and halt its banks’ access to European financial markets. Meanwhile, traders seek further clues on the ECB monetary policy, as price pressures continue to intensify in the Euro Area. However, the odds are rising that the central bank will take a more cautious approach due to risks posed by the crisis in Ukraine. The euro fell by 1.22% against the dollar, but then again it was up by 0.38% against the pound. We expect the euro to trade lower this week as investors shift to safe haven assets as fierce fighting continues in Ukraine and the West announce new sanctions on Russia during the weekend.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3416	1.25	1.1216	1.23
Europe	0.8916	(1.22)	1.1942	0.38	1.0000	0.00
UK	0.7454	(1.24)	1.0000	0.00	0.8382	(0.39)

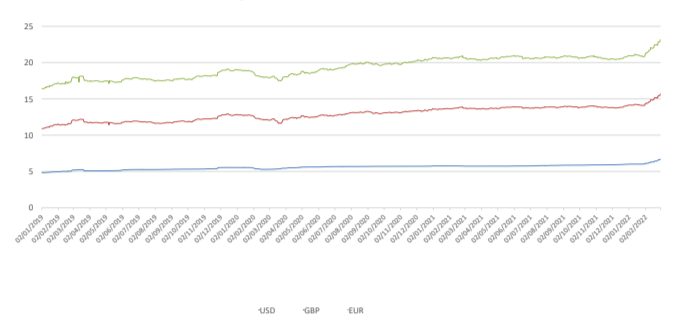
Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	6.6004	(2.69)	8.8311	(1.04)	7.4179	(1.77)
Nigeria	416.0200	(0.04)	556.9260	1.71	465.4020	1.53
Kenya	113.8210	(0.13)	152.8930	0.92	127.7640	1.14
BCEAO*	585.2500	(1.41)	785.2500	0.10	655.9600	0.00
S. Africa	15.3260	(2.55)	20.5161	(0.71)	17.1368	(0.87)

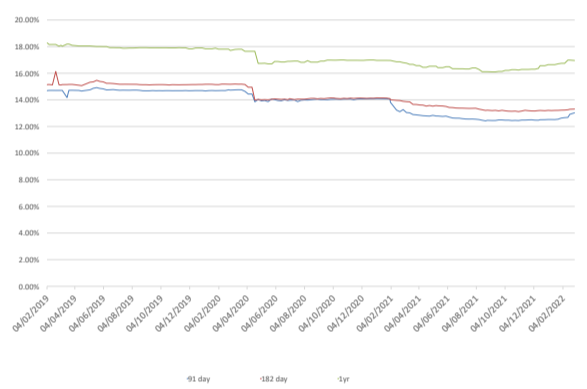
Sources: GCB Bank, Central bank website

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

African Fx Market Review And Outlook

GHANA: GHS: 6.60 USD1; GHS: 8.83 GBP1; GHS: 7.42 EUR1

- In the week under review, the cedi weakened against all the tracked currencies in our basket. The local unit plunged by 2.69% against the dollar. Also, it dropped by 1.04% and 1.77% against the pound and the euro respectively.

- The local unit tumble further against the hard currencies as investors sought refuge in safe-haven assets amid concerns over the impact of mounting geopolitical tensions on inflation and global economic growth.

- Also, demand for dollars for profit repatriation and investment outflows by non-resident investors is putting pressure on the cedi.

- Domestically, traders continued to monitor Ghana’s fiscal outlook as well as upside inflationary pressures which is weighing on market sentiments.

- In the week ahead, we expect the cedi to remain pressured but then again at a reducing rate, with support from the Central Bank through Fx auctions on the market.

SOUTH AFRICA: ZAR: 15.33 USD1; ZAR: 20.52 GBP1; ZAR: 17.14: EUR1

- In the week under review, the rand depreciated against all the tracked currencies in our basket. The rand edged lower by 2.55%, 0.71% and 0.87% against the dollar, pound and the euro respectively.

- The South African rand depreciated over 2% against USD, its lowest since January 28th, 2022, as risk sentiment was dampened after Russian President Vladimir Putin launched an invasion of Ukraine.

- At the same time, concerns over a more hawkish Fed persist, as the ongoing conflict in Europe should not cause the Federal Reserve to delay its plans for hiking interest rates.

- The rand has been supported by rising prices of precious metals such as gold, which benefits the resource-rich South Africa, along with pro-business reform pledges.

- However, the South African Reserve Bank is expected to hike its main lending rate by another 25 basis points next month, extending a tightening cycle that began in November to anchor inflation expectations.

- This week, we expect the rand to trade lower as investors sought the safety of the dollar, following a new wave of sanctions to punish Russia for its invasion of Ukraine.

INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
FNB	6.91	9.07	7.59
CAL	6.85	9.03	7.63
CBG	6.79	9.06	7.56
SBG	6.78	9.09	7.60
ADB	6.77	9.11	7.52
SCB	6.77	9.04	7.56
GCB	6.73	9.00	7.50
Absa	6.73	8.99	7.51
FDL	6.73	9.07	7.59
NIB	6.73	9.00	7.57
SG	6.67	8.92	7.46
PBL	6.45	9.08	7.60

Indicative Exchange Rate For Banks

During the week under review, FNB quoted the highest rate against the dollar at GHS6.91. This was followed by CAL and CBG, quoting GHS6.85 and GHS6.79 respectively. The rate for GCB was GHS6.73.

ECONOMIC NEWS

• Banks are still some way short of the fully phased-in capital requirements under Basel III, the latest monitoring report shows. Figures published by the Basel Committee on Banking Supervision (BCBS) show the total capital shortfall under the final Basel III framework was €2.3bn (\$2.6bn) in June 2021.

• Also, Ken Ofori-Atta, the Finance Minister, has confessed to the fact that the country is faced with financial challenges. According to him, although the demand by public sector workers for an increase in their salaries is legitimate, the government has no money at the moment to meet the demands hence efforts to generate domestic revenue. Initially proposed to be pegged at 1.75%, the government has now reviewed the rate to 1.5% but the levy is still facing resistance from the Ghanaian public and the Minority in Parliament.

WEEKLY CURRENCY REPORT

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