

Global Fx Market

USD: The dollar mixed performed on Friday (25/03/2022), as an improving global risk sentiment countered a firm hawkish stance from the Federal Reserve. Riskier assets rallied last week as investors appeared to shrug off geopolitical and economic uncertainties, denting demand for the safe-haven dollar. The dollar dipped by 0.14% against the pound, but then again it gained 0.05% against the euro. Meanwhile, Wall Street firms from Goldman Sachs to Bank of America are projecting half-point rate increases in upcoming Fed meetings, after central bank officials indicated readiness to tighten more aggressively to bring inflation under control. We therefore expect the dollar to rebound this week as traders ramped up bets on aggressive Federal Reserve interest rate hikes.

GBP: The pound appreciated on Friday (25/03/2022) on the back of positive expectations by investors on finance minister Rishi Sunak's Spring Statement on the UK Economy. Also, expectations on the outcome of scheduled economic data including inflation, PMIs and retail sales for an update on the UK economic recovery supported the pound. Additionally, the pound traded high during the week under review as the impetus for an aggressive pace of tightening has started to fade as the BoE warned of risks to growth posed by the Russian invasion of Ukraine and adopted a softer tone during its last monetary policy meeting. The pound inched up by 0.14% and 0.73% against the dollar and the euro respectively. We however expect the pound to trade sideways in the week ahead as a hotter-than-expected inflation could again fuel rate hike expectations.

EUR: The euro ended the week as the worst performer, close to its lowest since May 2020 after comments from Fed Chair signaling a 50bps rate hike in May prompted a rush to the dollar. In Europe, the odds are rising for the ECB to raise interest rates this year, with money markets pricing two quarter-point hikes in 2022, Bloomberg reported. Several central bank officials have recently echoed support for an early-than-expected rise in borrowing costs. The euro declined by 0.05% and 0.59% against the dollar and the pound respectively. We expect the euro to trade slightly lower this week as the odds for ECB to raise interest rates this year becomes more definite. Also, the outcome of the developments around Russia-Ukraine ceasefire talks will weigh on the Euro. A positive outcome would support the Euro and vice versa.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

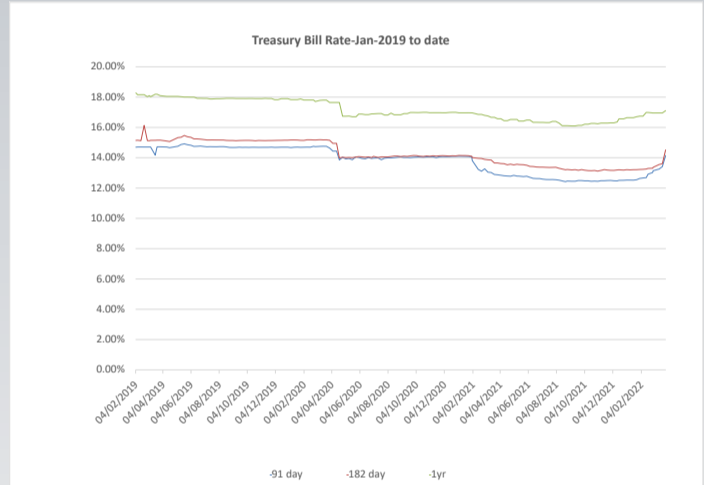
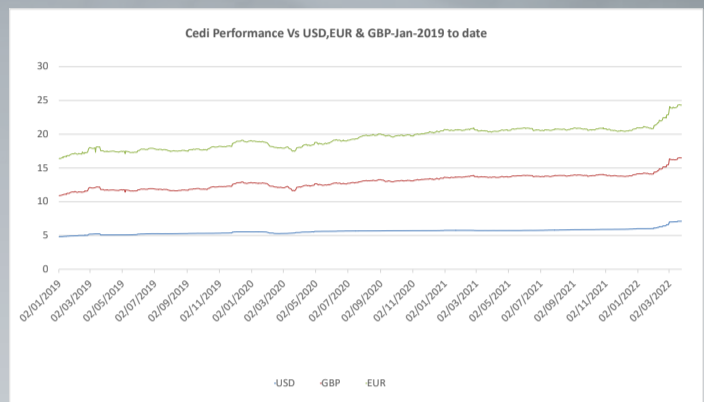
| REGION | US\$ | Wkly (%Δ) | £ | Wkly (%Δ) | € | Wkly (%Δ) |
|--------|--------|-----------|--------|-----------|--------|-----------|
| USA | 1.0000 | 0.00 | 1.3192 | (0.14) | 1.1002 | 0.05 |
| Europe | 0.9089 | (0.05) | 1.1993 | (0.59) | 1.0000 | 0.00 |
| UK | 0.7580 | 0.14 | 1.0000 | 0.00 | 0.8327 | 0.73 |

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

| COUNTRY | US\$ | Wkly (%Δ) | £ | Wkly (%Δ) | € | Wkly (%Δ) |
|-----------|----------|-----------|----------|-----------|----------|-----------|
| Ghana | 7.1121 | 0.01 | 9.3827 | (0.31) | 7.8134 | 0.41 |
| Nigeria | 415.7300 | 0.04 | 548.6390 | (0.42) | 458.5600 | 0.13 |
| Kenya | 114.6850 | (0.27) | 151.3030 | (0.57) | 125.9410 | 0.36 |
| BCEAO* | 594.7500 | (0.17) | 785.0000 | (0.48) | 655.9600 | 0.00 |
| S. Africa | 14.5430 | 2.72 | 19.1720 | 2.45 | 16.0264 | 3.13 |

Sources: GCB Bank, Central bank website



African Fx Market Review And Outlook

GHANA: GHS: 7.11 USD1; GHS: 9.38 GBP1; GHS: 7.81 EUR1

- In the week under review, the cedi remained stable against the dollar and the euro but then again, it dropped against the pound. The local unit edged up slightly by 0.01% and 0.41% against the dollar and the euro respectively. However, it stumbled by 0.31% against the pound.

- The local unit strengthened on Friday (25/03/2022), after the increase in the Policy Rate by the Bank of Ghana to 17% and the announcement of fiscal measures by the Finance Minister, Ken Ofori-Atta, helped it to recover slightly from its losses in the past weeks.

- However, uncertainty in the market especially differentiation in risk aversion sentiment towards emerging market currencies will continue to put pressure on the cedi.

- In the week ahead, our expectation is for the cedi to remain stable on the back of monetary and fiscal policy measures announced by BoG and the Finance Minister. Furthermore, the inflows of the announcement of the expected external financing arrangement of up to US\$2 billion in the next 2-6 weeks will support the cedi.

SOUTH AFRICA: ZAR: 14.54 USD1; ZAR: 19.17 GBP1; ZAR: 16.03: EUR1

- In the week under review, the rand improved against all the tracked currencies in our basket. The rand went up by 2.72%, 2.45% and 3.13% against the dollar, pound and the euro respectively.

- The South African rand improved on Friday (25/03/2022), close to its highest since October 20th 2021, after the South African Reserve Bank raised interest rates by a further 25 bps and signaled gradual normalization of the monetary policy through to 2024.

- Higher precious metals prices also supported the currency. Policymakers revised sharply higher inflation forecasts for 2022 citing inflation risks linked to the war, but also upgraded growth projections for 2022 and 2023, with commodity prices likely to remain elevated for some time.

- Still, concerns persist about domestic structural weaknesses, with recurrent power cuts threatening the country's economic outlook.

- At the same time, prospects of a more hawkish Fed and uncertainty around the crisis in Ukraine capped further gains.

- This week, we expect the rand to remain stable as investors eye the next round of peace talks between Russia and Ukraine in Turkey, while also weighing the economic impact of new lockdowns in China and the looming tightening monetary cycle.

INDICATIVE EXCHANGE RATE FOR BANKS

| BANKS | MIDRATES | | |
|---------------|----------|-------|------|
| | USD | GBP | EUR |
| CBG | 7.85 | 10.30 | 8.58 |
| SOGEGH | 7.78 | 10.24 | 8.55 |
| SBG | 7.63 | 10.06 | 8.38 |
| CAL | 7.63 | 9.78 | 8.41 |
| NIB | 7.56 | 9.68 | 8.09 |
| FNB | 7.55 | 9.94 | 8.27 |
| FDL | 7.50 | 9.87 | 8.22 |
| ADB | 7.50 | 9.63 | 8.07 |
| Absa | 7.46 | 9.80 | 8.17 |
| GCB | 7.43 | 9.81 | 8.18 |
| SC | 7.39 | 9.75 | 8.20 |
| PBL | 7.00 | 10.20 | 8.44 |

Sources: Quotes from Respective Banks

Indicative Exchange Rate For Banks

During the week under review, CBG quoted the highest rate against the dollar at GHS7.85. This was followed by SOGEGH and SBG, quoting GHS7.78 and GHS7.63 respectively. The rate for GCB was GHS7.43.

ECONOMIC NEWS

• The Oxford Business Group has disclosed that Ghana's economic health in the coming years will largely depend on government's ability to implement further fiscal consolidation for 2022. This will include a primary surplus of 0.1% of GDP and a fiscal deficit of 7.4% of GDP. "Achieving the country's fiscal goals will require discipline, but Ghana has repeatedly demonstrated its ability to navigate major economic and financial challenges.

• Also, The MPC of the Bank of Ghana has increased the policy rate, the rate at which it lends to commercial banks by 2.5% to 17%. This is the first time since Nov, 2018 that the rate has gone up so high. The decision is due to inflationary pressures.

WEEKLY CURRENCY REPORT

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