WEEKLY CURRENCY REPORT

19th April, 2022

GLOBAL FX MARKET

USD: The dollar ended the week lower, moving in tandem with bond yields, underpinned by the prospect of a more aggressive pace of Federal Reserve tightening to tame soaring inflation. The market movement came on the heels of 12/04/2022 CPI report, which showed that annual inflation hit 8.5% in March, a new 40-year high, and while core inflation eased. The dollar dipped by 0.31% and 0.16% against the pound and the euro respectively. We expect the dollar to rebound this week on the back of heightened inflation woes and prospects of an aggressive hawkish shift in the Fed's stance.

GBP: The pound strengthened after the latest UK CPI report showed inflation rate hitting a 30-year high of 7% in March. High inflation pressures arising from soaring energy prices are hurting households' purchasing power and squeezing their finances, pressuring the BoE to tight faster. Markets expect the Bank of England to raise rates to 1% during their upcoming meeting on May 5th and forecast 140 basis points of hikes by year-end. The pound inched up by 0.32% and 1.19% against the dollar and the euro respectively. We expect the pound to come under pressure in the week ahead due to inflationary pressures.

EUR: The euro mixed performed to close the week as investors scaled back bets on ECB interest rate hikes and now price around 60 bps worth of tightening by year-end, versus 70 bps before the ECB meeting. The ECB said that any adjustments to interest rates will take place sometime after the end of the Governing Council's net purchases under the asset purchase programme which should be concluded in the third quarter. The euro edged up by 0.16% against the dollar, however it declined by 0.54% against the pound. In Europe, investors are also concerned about the hit to economic growth from the war in Ukraine and surging commodity prices, as well as political uncertainty in France. We expect the euro to be stable this week due to uncertainty about the timing of interest rate hikes after the ECB left rates unchanged as expected.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 7.11 USD1; GHS: 9.29 GBP1; GHS: 7.68 EUR1

-In the week under review, the cedi declined against the dollar and the pound, but then again, it went up against the euro. The local unit dropped by 0.01% and 0.23% against the dollar and the pound respectively. On the other hand, it traded higher against the euro.

-The cedi plunged against the dollar and the pound as investors reacted to news including heightened tensions in the Russia-Ukraine conflict, downgraded global growth projections from the World Bank from 4.1% to 3.2% and inflation hitting 19.4 per cent in March.

-However, the news of expected inflows of the external financing arrangement of up to US$2 billion in the next 2-6 weeks continued to provide support for the cedi.

-In addition, the Bank of Ghana's guidelines to govern the conduct of foreign exchange forward auctions on the interbank foreign exchange market for the Bulk Distribution Company (BDCs) also mitigated the loss.

-In the week ahead, we expect the cedi to rebound slightly supported by the sale of a total of $350 million dollar in the FX auction market by Bank of Ghana in the second quarter.

SOUTH AFRICA: ZAR: 14.65 USD1; ZAR: 19.24 GBP1; ZAR: 15.98: EUR1

-In the week under review, the rand gained against the dollar and the euro, but then it tumbled against the pound. The rand went up by 0.45% and 0.13% against the dollar and the euro. However, it fell by 0.22% against the pound.

-The South African rand firmed up to end the week, boosted by strong commodity prices and confidence in the local economy, ignoring the expected U.S. inflation data that could lend support to the Federal Reserve's aggressive policy stance.

- Investors also brushed aside comments from the South African Reserve Bank that surging inflation could derail local economic recovery.

- South Africa is in a relatively strong position, having profited from the rise in commodity prices caused initially by Covid-19 supply disruptions and as a consequence of the conflict in Ukraine.

-This week, we expect the rand to remain stable as investors continue to weigh global monetary policies, geopolitical risks and the start of the earnings season.

INDICATIVE EXCHANGE RATE FOR BANKS

During the week under review, SOGEGH quoted the highest rate against the dollar at GHS7.70. This was followed by CBG and FNB, both quoting GHS7.53 respectively. The rate for GCB was GHS7.43.

ECONOMIC NEWS

* Ghana's inflation rate climbed to the highest level in more than 12 years in March as supply shocks caused by the war in Ukraine stoked increases in food, fuel and fertilizer prices. Annual inflation accelerated to 19.4%, the highest since Aug. 2009 from 15.7% in Feb.

*Also, the World Bank has affirmed its forecast of 5.5% expansion of the Ghanaian economy in 2022, higher than Sub Saharan Africa average of 3.6%.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3048	(0.31)	1.0878	(0.16)
Europe	0.9193	0.16	1.2062	(0.54)	1.000	0.00
UK	0.7664	0.32	1.000	0.00	0.8260	1.19

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	7.1124	(0.01)	9.2877	(0.23)	7.679	0.71
Nigeria	415.000	0.15	541.119	0.11	447.370	0.89
Kenya	115.438	(0.13)	150.309	0.32	125.163	0.48
BCEAO*	601.250	0.54	789.750	(0.28)	655.96	0.00
S. Africa	14.6483	0.45	19.2405	(0.22)	15.9769	0.13

Sources: GCB Bank, Central bank website

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INDICATIVE EXCHANGE RATE FOR BANKS			
	MIDRATES		
BANKS	USD	GBP	EUR
SOGEGH	7.70	10.11	8.45
CBG	7.53	9.86	8.19
FNB	7.53	9.81	8.14
CAL	7.49	9.62	8.17
SC	7.48	9.73	8.07
FDL	7.48	9.78	8.09
NIB	7.48	9.75	8.15
Absa	7.47	9.71	8.06
ADB	7.45	9.64	8.15
GCB	7.43	9.74	8.13
PBL	7.43	9.75	8.11
SBG	7.40	9.63	7.99
Sources: Quotes from Respective Banks