

Global Fx Market

USD: The dollar mixed performed on Friday (20/05/2022), following a slide in Treasury yields as continued softness in US economic data amid the Federal Reserve's aggressive monetary tightening fueled growth concerns. The dollar inched up by 0.03% against the pound, but however it declined by 0.34% against the euro. We expect the dollar to trade slightly lower this week as signs of progress in China's effort to bring coronavirus outbreaks under control spook investors away from the safe-haven currency. Meanwhile, key data to watch include flash PMI surveys for major economies and personal spending and income for the US.

GBP: The pound fell in the third week of May, as investors continue to worry over stagflation or even recession risks, as the inflation rate hit levels not seen since 1982, the economy already contracted in March and consumers' purchasing power continues to squeeze. Bank of England Governor Andrew Bailey recently said that the current surge in inflation was the central bank's biggest challenge. It has already raised borrowing costs four times but further rate hike odds are stagnating due to downside risks to growth. The pound depreciated by 0.03% and 0.24% against the dollar and the euro respectively. We expect the pound to rebound amid broad dollar weakness and as investors await flash S&P Global PMIs later in the week.

EUR: The euro gained on Friday (20/05/2022), after ECB President Christine Lagarde said the central bank is likely to exit negative interest rates by the end of the third quarter. Traders were already boosting bets for higher borrowing costs after hawkish comments from ECB Knot and ECB Villeroy de Galhau. Also, supporting the euro, the consumer confidence indicator in the Euro Area edged up by 0.9 points from the previous month to -21.1 in May of 2022, beating market expectations of -21.5 as sentiment continues to recover from March-22 low, a preliminary estimate showed. The euro improved by 0.34% and 0.50% against the dollar and the pound respectively. We therefore expect the euro to remain stable this week as traders are boosting bets for higher borrowing costs.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2466	0.03	1.0577	(0.34)
Europe	0.9454	0.34	1.179	0.50	1.0000	0.00
UK	0.8022	(0.03)	1.0000	0.00	0.8469	(0.24)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	7.1323	(0.10)	8.8979	(0.06)	7.5276	(0.22)
Nigeria	415.0800	0.02	518.0200	0.09	438.6980	(0.25)
Kenya	116.4060	(0.14)	145.1320	(1.48)	122.5420	(1.09)
BCEAO*	620.5000	1.05	773.7500	0.52	655.9600	0.00
S. Africa	15.8428	1.29	19.7552	1.32	16.7411	0.43

Sources: GCB Bank, Central bank website

African Fx Market Review And Outlook

GHANA: GHS: 7.13 USD1; GHS: 8.90 GBP1; GHS: 7.53 EUR1

- In the week under review, the cedi fell against all the tracked currencies in our basket. The local unit dipped by 0.10% against the dollar. As well, it dropped further by 0.06% and 0.22% against the pound and euro respectively.

- The local unit depreciated against the major currencies as investors waited for the Central Bank to quicken the pace of monetary tightening at its MPC meeting amid fears of economic slowdown and rising inflation expectation.

- On the other hand, monetary policy measures announced so far by BoG as well as Fx forward auction is providing some support for the cedi albeit depreciating at a slower pace.

- In the week ahead, we expect the cedi to trade slightly higher with the hike in the policy rate by BoG by 200 basis points to 19% from 17% despite challenging market environment and global growth concerns.

SOUTH AFRICA: ZAR: 15.84 USD1; ZAR: 19.76 GBP1; ZAR: 16.74: EUR1

- In the week under review, the rand appreciated against all the tracked currencies in our basket. The rand advanced by 1.29%, 1.32% and 0.43% against the dollar, the pound and the euro respectively.

- The South African rand ended the week higher, after the South African Reserve Bank raised interest rates by a further 50 bps to 4.75% and signaled gradual normalization of the monetary policy through to 2024.

- South Africa's central bank on Thursday (19/05/2022) increased its main lending rate by the largest margin in more than six years as it stepped up efforts to fight inflation, sending the rand higher.

- Policymakers revised higher inflation forecasts for 2022, 2023 and 2024, and lowered growth projections for 2022, mainly due to short-term domestic factors including devastating flooding in the key KwaZulu-Natal province and electricity supply constraints.

- Higher precious metals prices also supported the currency.

- We therefore expect the rand to remain stable this week supported by ratings agency S&P upgrading the country's sovereign outlook to "positive".

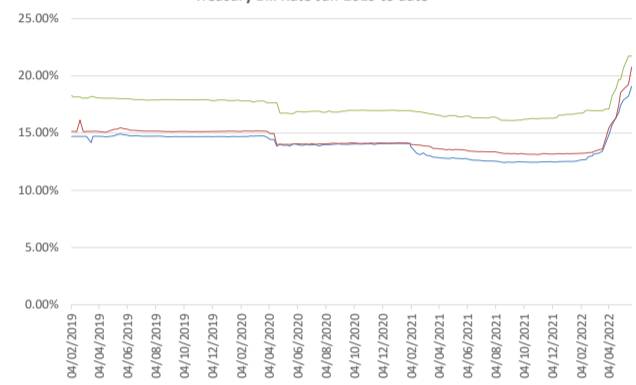
Indicative Exchange Rate For Banks

During the week under review, SG quoted the highest rate against the dollar at GHS7.76. This was followed by CBG and SBG, both quoting GHS7.70 and GHS7.69 respectively. The rate for GCB was GHS7.55.

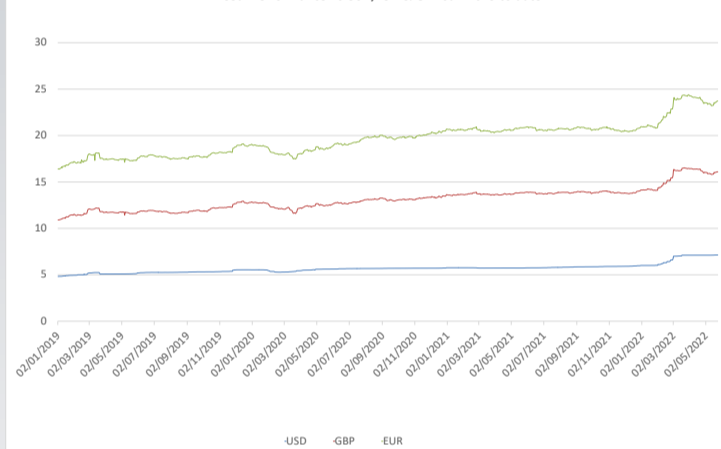
ECONOMIC NEWS

- The Bank of Ghana raised its benchmark monetary policy rate by 200 bps to 19% during its May 2022 meeting, against market expectations of 18.75%. It was the second consecutive rate hike this year, bringing borrowing costs to the highest level since February of 2018, to re-anchor inflation expectations and help foster macroeconomic stability.
- Also, Ghana has started a bulk purchase programme to buy gold locally to raise the gold component of its reserves, Central Bank Governor Ernest Addison has said, in a bid to strengthen the cedi currency without increasing inflation.

Treasury Bill Rate-Jan-2019 to date



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



INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
SOGE GH	7.63	9.58	8.06
FDL	7.54	9.21	7.88
CBG	7.52	9.41	7.91
FNB	7.52	9.21	7.90
SBG	7.50	9.20	7.88
SC	7.48	9.73	8.07
NIB	7.48	9.40	7.98
GCB	7.45	9.20	7.84
PBL	7.45	9.15	7.82
ADB	7.43	9.36	7.99
Absa	7.41	9.09	7.78
CAL	7.41	9.11	7.86

Sources: Quotes from Respective Banks

WEEKLY CURRENCY REPORT

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