



GLOBAL FX MARKET

USD: The dollar firmed up, hovering near 20-year highs as US inflation edged down in April compared March but remained close to the fastest pace in four decades, keeping the Federal Reserve on course to tighten monetary policy aggressively. The headline CPI in the US held close to a 40-year high at 8.3% in April, while the core CPI also came in above expectations at 6.2%, stoking worries among investors that elevated prices may persist and fueling concerns about faster interest rate hikes. The dollar gained by 1.06% and 1.78% against the pound and the euro respectively. The data suggested inflation may have peaked, but was unlikely to ease rapidly and impede the Fed's current tightening plans. We therefore expect the dollar to remain stable this week with investors looking for further clues on the course of Fed monetary policy tightening.

GBP: The pound mixed performed on Friday (13/05/2022), amid a general dollar strength and as investors worry over the risk of recession due to surging inflation. Fresh data showed the British economy expanded at a slower-than-expected 0.8% in Q1 and contracted 0.1% in March. Meanwhile, the BoE expects the economy to stagnate in Q2 and shrink in Q4. The pound dipped by 1.05% against the dollar, but then again, it increased by 0.74% against the euro. We expect the pound to trade slightly lower as traders increasingly bet the Fed will raise borrowing costs faster than other central banks to tame soaring inflation while the BoE is seen as having less room for tightening.

EUR: The euro hit a fresh 5-year low on Friday (13/05/2022), a breach of which would put it at the lowest level in 20 years. The common currency has been under heavy pressure since February as the invasion of Ukraine by Russia deepened the energy crisis, boosted inflation, and is slowing growth. The euro dropped by 1.75% and 0.60% against the dollar and the pound respectively. Meanwhile, a hotter-than-expected inflation figure for the US raised expectations the Fed will tighten faster than other major central banks. We therefore expect the euro to rebound slightly this week as investors are currently expecting the ECB to raise rates by 25bps in both July and September while delivering another increase at the end of the year.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 7.12 USD1; GHS: 8.70 GBP1; GHS: 7.40 EUR1

-In the week under review, the cedi plunged against the dollar, but, it improved against the pound and the euro respectively. The local unit fell by 0.04% against the dollar. On the other hand, it advanced by 0.96% and 1.73% against the pound and euro respectively.

-The local unit dropped against the greenback after a hotter-than-expected inflation figure for the US raised expectations the Fed will tighten faster than other major central banks to tame rising inflation.

-The pass through effect of monetary and fiscal policies measures as well as inflows from \$2 billion syndicated loan by the government to shore up the reserve position of the country also provide some cushion for the local currency against the major trading currencies.

-Additionally, the support from the Central Bank through its guidelines and regulations in the fx market helped the cedi to remained stable.

-In the week ahead, we expect the cedi to remain stable amid expectations the Central Bank will accelerate the pace of monetary tightening at its next meeting amid fears of economic slowdown and rising inflation expectation with April inflation coming in at a rate of 23.6%.

SOUTH AFRICA: ZAR: 16.03 USD1; ZAR: 19.60 GBP1; ZAR: 16.69: EUR1

-In the week under review, the rand edged up against all the tracked currencies in our basket. The rand appreciated by 0.12% and 1.18% against the dollar and the pound. Again, it gained by 1.73% against the euro.

-The South African rand ended the week higher on Friday (13/05/2022), amid expectations the South Africa Reserve Bank will accelerate the pace of monetary tightening at its next meeting by delivering a larger 50bps hike to 4.75%, following the hawkish stance by the Fed and to prevent potential second-round effects from higher consumer prices.

- The impact of the recent devastating floods in KwaZulu-Natal, especially on manufacturing and transport; the return of load-shedding, the resurgence of Covid-19 pandemic and rising inflation are the key factors weighing on South Africa's economic outlook.

-We therefore expect the rand to trade slightly lower this week amid fears of economic slowdown as high inflation figures in the US strengthen the case for aggressive monetary tightening by the Fed.

INDICATIVE EXCHANGE RATE FOR BANKS

During the week under review, SOGEGH quoted the highest rate against the dollar at GHS7.66. This was followed by CAL and CBG, both quoting GHS7.63 and GHS7.60 respectively. The rate for GCB was GHS7.48.

ECONOMIC NEWS

* Surging food prices once again drove inflation for the month of April, 2022 to 23.6%, figures from the Ghana Statistical Service have revealed. This is the highest since Jan. 2004. National month-on-month inflation from March 2022 to April 2022 was 5.1%. Food inflation stood at 21.3%.

*Also, more than two-thirds of central banks think it is either 'possible' or 'likely' that they will issue a retail Central Bank Digital Currency (CBDC) in either the short or medium term, the Bank for International Settlements has found in its latest CBDC survey. In all, 68% of the 81 central bank respondents said they were either likely to issue a retail CBDC or "might possibly" do.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2220	1.06	1.0385	1.78
Europe	0.9629	(1.75)	1.1749	(0.60)	1.000	0.00
UK	0.8183	(1.05)	1.000	0.00	0.8506	0.74

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	7.1163	(0.04)	8.7022	0.96	7.4001	1.73
Nigeria	414.740	0.14	506.107	1.31	430.832	1.88
Kenya	116.124	(0.19)	142.965	1.37	121.774	0.62
BCÉAO*	630.750	(0.95)	771.000	(0.29)	655.96	0.00
S. Africa	16.0337	0.12	19.5995	1.18	16.687	1.64

Sources: GCB Bank, Central bank website

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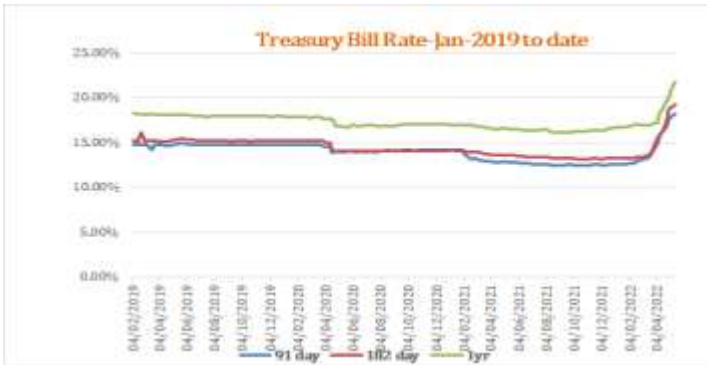
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INDICATIVE EXCHANGE RATE FOR BANKS			
BANKS	MIDRATES		
	USD	GBP	EUR
SOGEH	7.66	9.32	7.98
CAL	7.63	9.11	7.84
CBG	7.60	9.27	7.89
FNB	7.56	9.22	7.88
FDL	7.53	9.21	7.84
SBG	7.50	9.17	7.81
NIB	7.49	9.28	7.89
SC	7.48	9.73	8.07
GCB	7.48	9.13	7.79
Absa	7.47	9.13	7.77
ADB	7.43	9.36	7.99
PBL	7.10	9.16	7.80

Sources: Quotes from Respective Banks



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