

WEEKLY CURRENCY REPORT

Date Issued | 27th June, 2022



Global Fx Market

USD: The dollar declined on Friday (24/06/2022), holding on to its recent declines and tracking Treasury yields lower, amid growing concerns about a possible recession. Fed Governor Michelle Bowman acknowledged that a recession was certainly a possibility, reflecting market concerns that the Fed's aggressive monetary tightening would hamper growth and is fully committed to bringing prices under control, even at the risk of an economic downturn. He backed raising interest rates by 75 basis points again in July and following that with a few more half-point rate hikes. The dollar dropped by 0.86% and 0.36% against the pound and the euro respectively. We expect the dollar to rebound this week as investors assess the outlook for monetary policy ahead of the US personal consumption expenditures (PCE) reading for May due later this week.

GBP: The pound traded slightly lower on Friday (24/06/2022), on concerns of a pullback in consumer spending amid sluggish economic growth. Four of the five measures that form the confidence index decreased in June compared with the previous month, with the sharpest fall registered in consumers' short-term outlook about their personal finances. UK annual inflation reached a four-decade high of 9.1% in May amid rising food and energy prices, the highest among G7 economies. The pound improved by 0.87% against the dollar, but plunged by 0.35% against the euro. We expect the pound to be steady this week as traders keep a close eye on the G7 summit and the ECB's three-day forum that starts 27/06/2022 for any updates on sanctions for Russia, the global economy and monetary policy response to curb surging prices.

EUR: The euro strengthened to end the week, after ECB President Lagarde reaffirmed plans to hike rates twice this summer following last week's measures to mitigate a market rout that has reignited concerns about a new debt crisis in the bloc's southern periphery. Meanwhile, the Federal Reserve hiked the fed funds rate by 75bps, the most since 1994 while Chair Powell signaled a similar move could come at the next meeting making clear that the central bank is fully committed to fighting the surging inflation. The euro went up by 0.36% and 0.32% against the dollar and the pound respectively. We however expect the euro to trade slightly lower this week as the gap between interest rates and growth in Europe and the US widens.

African Fx Market Review And Outlook

GHANA: GHS: 7.22 USD1; GHS: 8.87 GBP1; GHS: 7.62 EUR1

- In the week under review, the cedi tumbled against all the tracked currencies in our basket. The local unit depreciated by 0.17% against the dollar. Then again, it fell against the pound and the euro by 0.97% and 1.01% respectively.

- The cedi declined against all the tracked as investors continued to assess the Central Bank's guidance to curb soaring inflation against the backdrop of recession fears and signs that business spending plans remain uncertain despite higher interest rates.

- The cedi however remained relatively stable on the back of the expected inflows of the US\$1bn of the US\$2bn pledge from international Banks for government financing of the 2022 budget and also to boost Ghana's international reserves.

- In the week ahead, we expect the cedi to be relatively stable supported by BoG's Fx auctions.

SOUTH AFRICA: ZAR: 15.93 USD1; ZAR: 19.53 GBP1; ZAR: 16.77: EUR1

- In the week under review, the rand plunged against the dollar and the euro, but then again it gained against the pound. The rand edged lower by 0.09% and 0.29% against the dollar and the euro respectively. However, it increased by 0.31% against the pound.

- The South African rand mixed performed on Friday (24/06/2022), as investors continued to weigh growth concerns against hopes that falling commodity prices can help to bring down sky-rocketing inflation.

-South Africa's inflation for May also surprised to the upside at 6.5%, driven once again by food and fuel prices.

- Meanwhile, there were reports that protesters blocked roads leading to some power plants operated by South Africa's state-owned utility Eskom, following a breakdown in wage negotiations.

- We therefore expect the rand to remain under pressure this week due to mounting worries about the risks of a global recession amid aggressive rate hikes by the Federal Reserve.

- We therefore expect the rand to remain stable this week amid busy policy-focused week in which the European Central Bank meeting has been scheduled as well the release of the U.S. consumer price data.

Indicative Exchange Rate For Banks

During the week under review, SOGEGH quoted the highest rate against the dollar representing GHS7.98. This was followed by SCB and FDL, both quoting GHS7.91 and GHS7.87 respectively. The rate for GCB was GHS7.67.

ECONOMIC NEWS

- Ghana's economy slowed down in growth in the first quarter of this year, compared to the same period last year, data from the Ghana Statistical Service has revealed. The economy recorded 3.3% GDP growth rate which was aided by some marginal expansion in the Services and Agriculture sectors.

- Also, Government exceeded its Treasury bills sale target by 16.5%, a week after failing to achieve the target for the auctioning of the short-term securities. However, interest rates continue to surge, surpassing the 24%. The increase in interest rates have contributed to the successful sale of the short term instruments.

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	7.2150	(0.17)	8.8683	(0.97)	7.6162	(1.01)
Nigeria	415.0000	0.08	509.4130	0.02	437.0780	(0.33)
Kenya	117.6560	(0.28)	143.9160	(1.76)	123.7350	(1.07)
BCEAO*	623.0000	0.00	764.7500	0.29	655.9600	0.00
S. Africa	15.9334	(0.09)	19.5256	0.31	16.7699	(0.29)

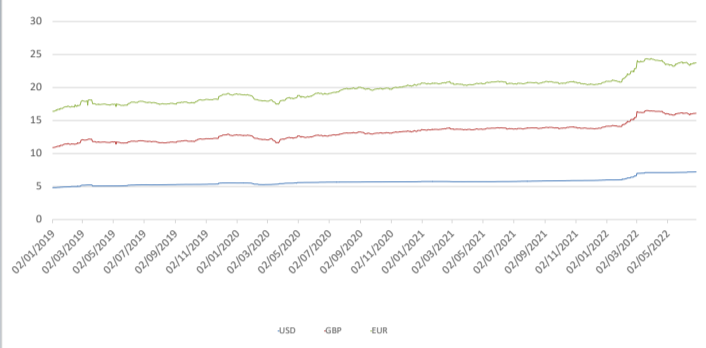
Sources: GCB Bank, Central bank website

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

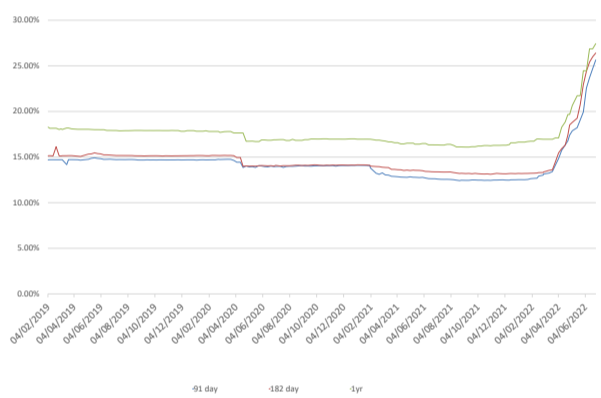
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2288	(0.86)	1.0524	(0.36)
Europe	0.9502	0.36	1.1659	0.32	1.0000	0.00
UK	0.8138	0.87	1.0000	0.00	0.8581	(0.35)

Sources: GCB Bank, Central bank websites

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



Treasury Bill Rate-Jan-2019 to date



INDICATIVE EXCHANGE RATE FOR BANKS

BANKS	MIDRATES		
	USD	GBP	EUR
SOGEGH	7.98	9.77	8.39
SCB	7.91	9.73	8.31
FDL	7.87	9.74	8.37
CBG	7.87	9.56	8.25
Absa	7.85	9.67	8.31
FNB	7.84	9.66	8.29
SBG	7.83	9.64	8.29
CAL	7.83	9.39	8.11
NIB	7.76	9.41	8.05
GCB	7.67	9.39	8.06
ADB	7.66	9.41	8.09
PBL	7.45	9.62	8.25

Sources: Quotes from Respective Banks

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