

WEEKLY CURRENCY REPORT



Date Issued | 22nd November, 2021



GLOBAL FX MARKET

USD: The dollar eased on Friday (19/11/2021) as investors try to assess market expectations that the Federal Reserve will raise interest rates earlier than indicated amid persistent inflationary pressures and strong economic data. The dollar particularly gained against the single currency as traders wagered that the European central bank will fall behind major peers in tightening monetary policies. The dollar dipped by 0.36% against the pound while it advanced by 1.57% against the euro. In the week ahead, our expectation is for the dollar to remain firm as investors look forward to FOMC minutes, personal consumption expenditure and Fed chair announcement, all due this week.

GBP: The pound edged up on Friday (19/11/2021), after retail sales for October were surprisingly high, suggesting a slowdown in consumer spending might have abated slightly. Adding to further prospects, the Bank of England will likely raise interest rates next month. The pound was up by 0.36% and 1.53% against the dollar and the pound respectively. In the incoming week, we expect the pound to stay stable as investor focus remain on whether or not the Bank of England will raise interest rates in December amid concerns over growth and inflation.

EUR: The euro fell on Friday (19/11/2021), pressured by surging Covid-19 infections and expectations that other countries would hike rates earlier. Europe grapples with a fourth wave of the pandemic with Austria imposing a full lockdown. While Germany, Greece, Czechia, and the Netherlands tightening restrictions. Meanwhile, ECB chief Christine Lagarde said it does not make sense to tighten policy as inflation pressure in the Eurozone is expected to fade. The euro plunged by 1.55% and 1.84% against the dollar and the pound respectively. In the week ahead, we expect the euro to be weighed following Austria's decision to reimpose a full COVID-19 lockdown and amid concerns that Germany and other countries could follow suit.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.91 USD₁; GHS: 7.96 GBP₁; GHS: 6.69 EUR₁

- In the week under review, the cedi depreciated further against the dollar and the pound, but remained firm against the euro. The local unit declined by 0.14% and 0.50% against the dollar and the pound respectively. Then again, against the Euro, it appreciated by 1.06%.

- The cedi weakened against the greenback and the pound as investors continued to digest Finance minister budget statement, with markets uncertain about the implications of the new mobile money tax and stoppage of toll collection.

- At the same time, concerns persisted over growing inflationary pressures and tighter monetary policies weighed on the cedi.

- In the weeks ahead, we expect the Cedi to be pressured by the demand for Fx by traders to import goods (current account pressure) for the festive season. However, the Bank of Ghana's forward FX auctions is expected to provide support for the currency.

SOUTH AFRICA: ZAR: 15.53 USD₁; ZAR: 20.95 GBP₁; ZAR: 17.59: EUR₁

- In the week under review, the rand tumbled against all the tracked currencies in our basket. The rand edged lower by 1.40% against the dollar. Similarly, it dropped by 2.18% and 0.35% against the pound and the euro respectively.

- The South African rand weakened against the US dollar in the fourth week of November, its lowest since November 4th 2020, pressured by a stronger dollar and concerns over new lockdown restrictions in Europe, as well as some hawkish comments from the Fed officials.

- Meanwhile, the South African Reserve Bank decided to lift its benchmark interest rate by 25 bps to 3.75%, for the first time in three years.

- Growth projections were revised slightly lower for 2021, while inflation is seen higher in 2021, 2022 and 2023. At the same time, persistent electricity issues across the country continue to threaten the country's economic outlook.

- However, both rating agencies S&P and Moody's opted not to release reviews on South African debt.

-In the week ahead, our expectation is for the rand to trade sideways as the reimposition of new lockdowns in Europe due to another wave of Covid-19 infections weigh on global sentiment.

INDICATIVE EXCHANGE RATE FOR BANKS

During the week under review, NIB quoted the highest rate against the dollar at GHS6.26. This was followed by PBL and CBG, quoting GHS6.25 and GHS6.19 respectively. The rate for GCB was GHS6.13.

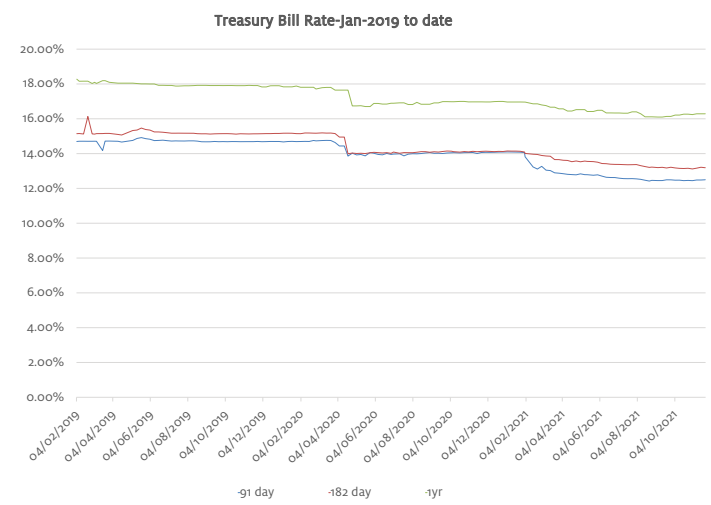
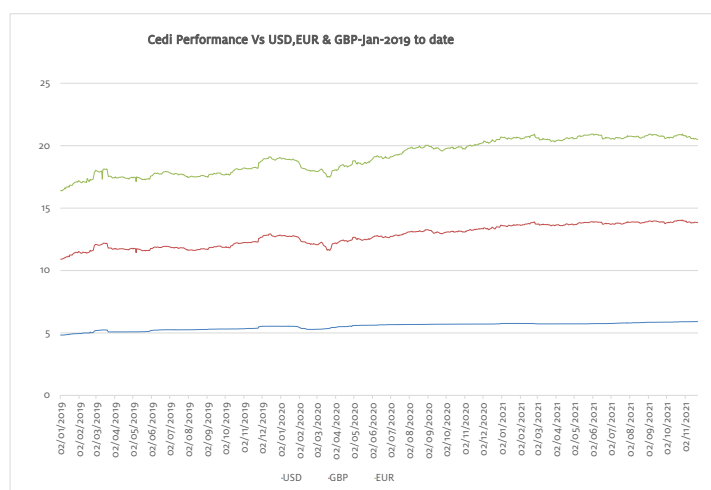
Sources: Quotes from respective banks

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3462	(0.36)	1.1271	1.57
Europe	0.8872	(1.55)	1.1915	(1.84)	1.0000	0.00
UK	0.7428	0.36	1.0000	0.00	0.8408	1.53

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.9113	(0.14)	7.9578	(0.50)	6.6892	1.06
Nigeria	411.0900	(0.04)	554.5600	(0.71)	466.4230	0.87
Kenya	112.1820	(0.33)	151.2890	(0.76)	127.1460	1.01
BCEAO*	579.0000	(1.04)	782.2500	(1.98)	655.9600	0.00
S. Africa	15.5338	(1.40)	20.9527	(2.18)	17.5936	(0.35)

Sources: GCB Bank, Central bank website



INDICATIVE EXCHANGE RATE FOR BANKS			
BANKS	MIDRATES		
	USD	GBP	EUR
NIB	6.26	8.36	7.03
PBL	6.25	8.36	7.00
CBG	6.19	8.36	7.14
SG	6.17	8.32	6.99
FNB	6.17	8.32	7.00
STB	6.16	8.32	6.99
Absa	6.15	8.30	6.98
CAL	6.15	7.01	8.19
FDL	6.14	8.43	7.09
GCB	6.13	8.20	6.94
ADB	6.11	8.17	6.94

Sources: Quotes from Respective Banks

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