

## Global Fx Market

**USD:** The dollar eased on Friday (06/05/2022), as investors continued to bet on further Federal Reserve monetary tightening to bring decades-high inflation under control. The Fed on Wednesday (04/05/2022) raised its benchmark overnight interest rate by 50 basis points, the biggest jump in 22 years, while Chair Jerome Powell added the bank was not considering a 75 basis-point move in the future. The dollar edged up by 1.67% against the pound, but then again it dropped by 0.28% against the euro. However, he assured Americans that the central bank will do what it takes to curb surging inflation, while acknowledging that this could risk economic pain. We therefore expect the dollar to rebound this week ahead as expectations of further Federal Reserve monetary tightening to combat inflation and fears of slowing global economic growth drives investors into the safety of the dollar.

**GBP:** The pound weakened 2% to its lowest level in almost two years, after the Bank of England hiked interest rates by 25bps. Some market participants were pricing in an even more hawkish statement, while a warning that Britain risks falling into recession added to the bearish tone. While growth in Q1 2022 was stronger than expected, the BoE expects the economy to stagnate in the second quarter while pointing to a nearly 1% drop in GDP in the final quarter after the subsequent increase in energy prices. The pound stumbled by 1.64% and 1.96% against the dollar and the euro respectively. We expect the pound to trade slightly lower against the dollar in the week ahead amid bets the Fed will tighten faster than other major central banks to slow stagflation risks.

**EUR:** The euro gained on Friday (06/05/2022) bouncing off its recent lows after the Fed made no surprises by raising the fed funds rate by 50bps and announcing it would start reducing its balance sheet, which, in turn, brought some downward pressure for the dollar. The euro was up by 0.28% and 2.05% against the dollar and the pound respectively. Still, the single currency remained close to low levels not seen since December of 2016 on lingering concerns about the impact of the Ukraine war on the European regional economy. We therefore expect the euro to dip this week as expectations that the ECB will raise interest rates much more slowly than the Federal Reserve make it difficult for the euro to attract investors.

## African Fx Market Review And Outlook

**GHANA: GHS: 7.11 USD<sup>1</sup>; GHS: 8.79 GBP<sup>1</sup>; GHS: 7.53 EUR<sup>1</sup>**

- In the week under review, the cedi fell against the dollar and the euro, then again, it was up against the pound. The local unit plunged by 0.01% and 0.42% against the dollar and the euro. However, it inched up by 1.68% against the pound.

- The local unit depreciated against the greenback as concerns over a global economic slowdown and expectations of higher interest rates worldwide drove investors into the safety of the dollar.

- On the other hand, the support from the Central Bank through its guidelines and regulations in the fx market helped the cedi appreciate against the pound.

- Expected inflows of the external financing arrangement of up to US\$2 billion also backed the cedi's performance.

- In the week ahead, we expect the cedi to remain stable supported by regulations and Fx auctions by BoG.

**SOUTH AFRICA: ZAR: 16.05 USD<sup>1</sup>; ZAR: 19.83 GBP<sup>1</sup>; ZAR: 16.96: EUR<sup>1</sup>**

- In the week under review, the rand dropped against the dollar and the euro, whereas it improved against the pound. The rand stumbled by 1.02% and 0.98% against the dollar and the euro. However, it rose by 0.63% against the pound.

- The South African rand traded lower on Friday (06/05/2022), remaining close to its lowest in five months, amid a stronger greenback, after the Federal Reserve raised interest rates by a widely expected half-percentage point and announced the reduction of its balance sheet in June.

- Locally, concerns persisted about the impact of recent floods that caused severe damage to the country's infrastructure, the resurgence of the Covid-19 pandemic and rolling power cuts.

- We therefore expect the rand to remain stressed this week as investors digest the US Federal Reserve's decision to raise interest rates and the prospect of more assertive actions to curb inflation.

## Indicative Exchange Rate For Banks

During the week under review, SOGEGH quoted the highest rate against the dollar at GHS7.63. This was followed by FDL and CBG, both quoting GHS7.54 and GHS7.52 respectively. The rate for GCB was GHS7.45.

## ECONOMIC NEWS

- Ghana's economy is expected to become the 12th fastest growing economy in Sub-Saharan Africa in 2022 with an expected growth rate of 5.2%. According to the International Monetary Fund April 2022 Regional Economic Outlook Report, this will place the country at a joint 12th position with Cape Verde among league of Sub-Saharan African economies.

- Also, Fitch Ratings has revised the country's fiscal cash deficit forecasts to 9.1 percent of gross domestic product (GDP) in 2022, from 9.5 percent since the last downgrading of Ghana to 'B-' ; with Outlook Negative in January 2022.

### GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2350	1.67	1.0570	(0.28)
Europe	0.9461	0.28	1.1679	2.05	1.0000	0.00
UK	0.8097	(1.64)	1.0000	0.00	0.8568	(1.96)

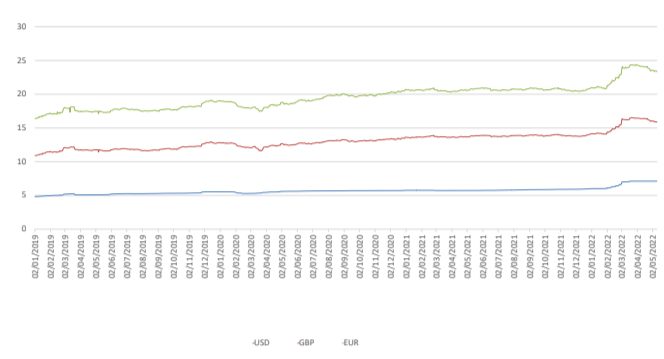
Sources: GCB Bank, Central bank websites

### AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	7.1132	(0.01)	8.7859	1.68	7.5280	(0.42)
Nigeria	415.3000	(0.03)	512.7290	1.71	438.9310	(0.23)
Kenya	115.9050	(0.11)	144.9230	0.80	122.5350	0.24
BCEAO*	624.7500	(0.60)	768.7500	1.40	655.9600	0.00
S. Africa	16.0525	(1.02)	19.8313	0.63	16.9611	(0.98)

Sources: GCB Bank, Central bank website

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
<b>SOGEGH</b>	<b>7.63</b>	<b>9.58</b>	<b>8.06</b>
<b>FDL</b>	<b>7.54</b>	<b>9.21</b>	<b>7.88</b>
<b>CBG</b>	<b>7.52</b>	<b>9.41</b>	<b>7.91</b>
<b>FNB</b>	<b>7.52</b>	<b>9.21</b>	<b>7.90</b>
<b>SBG</b>	<b>7.50</b>	<b>9.20</b>	<b>7.88</b>
<b>SC</b>	<b>7.48</b>	<b>9.73</b>	<b>8.07</b>
<b>NIB</b>	<b>7.48</b>	<b>9.40</b>	<b>7.98</b>
<b>GCB</b>	<b>7.45</b>	<b>9.20</b>	<b>7.84</b>
<b>PBL</b>	<b>7.45</b>	<b>9.15</b>	<b>7.82</b>
<b>ADB</b>	<b>7.43</b>	<b>9.36</b>	<b>7.99</b>
<b>Absa</b>	<b>7.41</b>	<b>9.09</b>	<b>7.78</b>
<b>CAL</b>	<b>7.41</b>	<b>9.11</b>	<b>7.86</b>

Sources: Quotes from Respective Banks

# WEEKLY CURRENCY REPORT

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