

Currency Volatility and Trade Risk

1. Macro snapshot

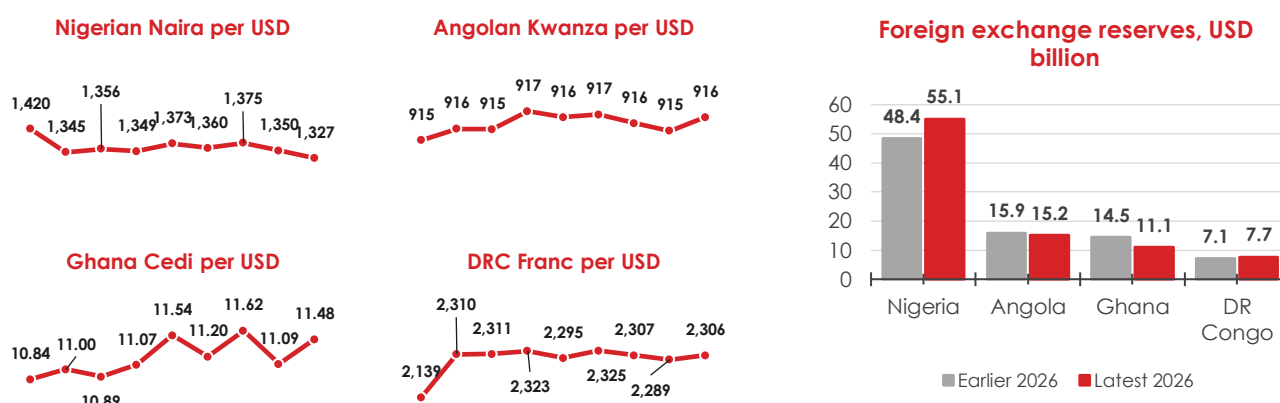
Investment interest in Africa is growing despite greater geopolitical uncertainty in the Middle East, disruptions to Strait of Hormuz shipping and renewed Yemen–Saudi Arabia tensions that pose further risks to maritime trade across the region. They are disrupting global trade routes, raising shipping costs and adding to global energy supply volatility. They have also boosted trade originating from Africa and supported the outlook for its commodity producers. The IMF projects sub-Saharan African growth at 4.5%, with a 2026 forecast of 4.3% and upgrades for nearly three-quarters of countries. Oil remains above 114 amid Middle East uncertainty, potentially benefiting Nigeria and Angola. DR Congo has benefited from high copper prices. Despite high gold price volatility this year, Ghana, Mali, Burkina Faso, Tanzania and Côte d'Ivoire have benefited. Inflation is expected to rise to 5.5% in 2026. Moody's recently moved its regional outlook to positive, with Nigeria, Ghana, Zambia and the Republic of Congo among eight sovereigns on positive outlook.

2. FX and rates – Stable currencies, interest rates steady to lower

US CPI of 3.7% exceeded expectations, pointing to another rate rise in 2026. The Fed raised its target range by 25 bps to 3.75–4.00% in September; one more rise is likely in 2026. The US 10-year yield remains elevated at 5.21%, below recent highs. UK 30-year gilt yields have fallen to 5.75% after exceeding 6% in early October. Reliance on imported energy and fragile public finances leave UK bond markets vulnerable. The ECB raised rates in September, and higher energy costs risk further tightening.

African currencies present a mixed picture. Currencies in larger free-floating economies are unchanged. Nigeria's FX reserves have risen, and the MPC cut rates by 350 bps in September. Removing the petrol subsidy eased a major fiscal burden and increased resource allocations to state governments. The IMF has also praised Nigeria's improved macroeconomic credibility.

Currency levels and official FX reserves between Feb 2026 and October 2026



Exchange rates use HMRC monthly rates converted to a dollar basis. Reserve bars compare 16 February with 9 October for Nigeria; March with 15 October for Angola; end February with August for Ghana; and February with early October for DR Congo.

KES, TZS and the smaller-economy currencies CDF, MZN, GNF, SLE and LRD remain flat. The Ugandan shilling (UGX), GHS and Zambian kwacha (ZMW) are under pressure. Nigeria and Zambia, with ample reserves and falling inflation, are easing for domestic reasons. The stabilised economies of Tanzania, Kenya, Mozambique, Liberia and the CFA zones are holding policy rates and adjusting reserve requirements instead.

3. Trade and flows dashboard

Africa's fundamentals are improving, but stronger flows are needed. Since late August, liquidity has been available at a higher premium. Refinancing costs are slightly higher and may rise further.

Mixed sovereign bond conditions affect trade flows directly and indirectly. Senegal and Mozambique are close to restructuring, while Zambia, Ghana, Chad and Ethiopia have closed their Eurobond and bilateral deals. Gabon's 2031 bond faces selling pressure as projected debt rises above the CEMAC 70% ceiling. South Africa, Ghana and Nigeria face refinancing pressure and account for about 56% of \$43 billion in regional Eurobond maturities. Lower-risk countries include Côte d'Ivoire, Benin and Tanzania, and countries with little or no commercial external debt: Uganda, Guinea, Sierra Leone and Liberia. Their exposure is to local-bond outflows and currency risk rather than sovereign default. The macroeconomic starting point is much stronger: regional growth reached about 4.5% in 2025, the fastest in a decade; the median fiscal deficit narrowed to 3.0% of GDP and median public debt fell from 57.2% to 53.1% of GDP. Inflation moderated and most central banks cut rates.

4. 2022-23 vs Aug-Oct 2026...Two Fed rate hiking cycles – A comparison

Parameter	Then: March 2022 – July 2023	Now: October 2026
US liquidity	Fed funds rose by 525 bp; QT reached up to \$95bn a month from June 2022.	25bp rise in Sept; one more priced for Q4. QT ended December 2025.
Africa liquidity	Eurobond market closed from spring 2022 to Jan. 2024. Ghana and Zambia defaulted.	\$14bn of Eurobonds in 2025 and \$9.3bn from seven sovereigns in Jan-Sept 2026. Ghana, Zambia, Chad and Ethiopia completed restructurings.
US conditions	CPI peaked at 9.1% in June 2022 amid a tight labour market. 10-year UST rose from 1.7% to about 4%.	US CPI at 3.7% in September; 10-year yield at 5.1–5.3%, a 24-year high driven by real rates; S&P 500 near a record at 7,800; DXY about 102.
Market outlook	Synchronised tightening by major central banks; broad emerging-market (EM) outflows.	Fed tightening again as other central banks diverge. AI capital spending drives an equity boom. EM outflows resumed in Sept as the Fed turned hawkish.
Key commodities	Brent spiked to \$128 in March 2022, then fell to \$75 by mid-2023. Gold \$1,700–2,000; copper \$8,000–9,500.	Brent about \$104 (12-month range \$60–138; 2026 average \$94). Gold about \$4,150; copper \$14,000.
Currency volatility in Africa	One-way, crisis-driven depreciation: seven of the world's ten worst currencies in 2023 were African.	Two-way, varied movements; short, reversible shocks. The naira fell only 2.6% during March–June stress. CFA zone volatility reflects EUR/USD.
Geopolitics (including Iran–US war)	Russia's Feb. 2022 invasion of Ukraine caused wheat, fertiliser and energy shocks. Coups in Mali, Burkina Faso, Guinea and Niger.	US–Iran war since February 2026. Strait of Hormuz effectively closed, with traffic about 75% below pre-war levels. US naval blockade continues; Houthi strikes on Saudi Arabia.
African central bank regulation	Nigeria: multiple FX windows, 43-item import FX ban and \$7bn repatriation backlog. Ghana: domestic debt exchange; policy rate rose to 30%.	Nigeria: FX unified in June 2023; new FX Manual effective 1 June 2026; bank recapitalisation completed March 2026. Ghana: climate-risk directive and VASP licensing. BCEAO and BEAC pegs unchanged. Lower rates.
Outlook towards Africa	Aid-led financing. China remained the largest lender but was retreating. Eurobond investors absent; rating downgrades.	Moody's positive. JPMorgan GBI-EM Edge (Sept 2026) allocates 44.5% of its \$328bn local-currency index to Africa, including Nigeria, Kenya, Côte d'Ivoire, Uganda and others. Gulf investors announced \$53bn of FDI.
Nature of the shock	Demand and inflation shock, with uniform pressure across African economies.	Iran war creates a supply-side energy shock against a stronger economic base, with differing effects on oil exporters and importers.

5. What this means for clients

- Markets expect US rates to stay high rather than fall.
- Dollar funding in Africa is tighter than the policy rate suggests.
- Commodity winners are Nigeria, Gabon, Congo and Chad (oil); Zambia and DRC (copper); and Ghana, Tanzania, Mali, Burkina Faso and Guinea (gold).
- Africa's investor base has changed. Index-tracking local-currency funds (JPMorgan GBI-EM Edge) and Gulf equity have replaced Chinese loans and Western aid, providing more durable funding.

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