WEEKLY CURRENCY REPORT

GCB
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Date Issued | 10th February, 2020

GLOBAL FX MARKET

USD: A stronger U.S. dollar dragged down the euro and the pound to their lowest levels in months as the expectation of investors is for the U.S. economy to remain resilient despite the spread of the coronavirus across the world. Payroll data from last week reinforced traders' optimism about the prospects of the U.S. economy. Data showed U.S. non-farm payrolls increased by 225,000 jobs last month, with employment at construction sites increasing by the most in a year. The dollar inched up by 1.85% and 0.76% against the pound and the euro respectively. In the week ahead, we expect the release of inflation and retail sales figures for the month of January. We therefore expect the dollar to remain stable as we foresee a solid increase in core CPI (Consumer Price Index).

GBP: The pound notched up its biggest weekly fall in seven weeks as investors priced in the risk of Britain failing to agree a trade deal with the European Union in the 11 months left of the Brexit transition period. Investors are nervous that British Prime Minister Johnson is taking a hard line in the trade talks with the EU, which need to be concluded before the end of the year to avoid a potentially disruptive break in trading relations. The pound fell 1.82% against the U.S. dollar, its weakest since Dec. 25. It also fell by 0.78% against the euro. In the week ahead, the pound is expected to remain under pressure as more news emerge on the uncertainty of Britain's relationship with the European Union when a transition period for its exit from the bloc wraps up at the end of the year.

EUR: The Euro ceded ground to the dollar last week and in doing so provided companionship to the Sterling as one of the worst performing major currencies, which is a trend that might be set to continue over the coming days. Industrial production reports published in Germany, France, and Italy showed a decline of 6.8%, 2.8% and 4.3% YoY, respectively. Germany factory orders dropped 8.7% YoY, the lowest since 2009, becomes a further worrying indicator. The euro inched up by 0.65% against the pound whilst against the dollar it dipped by 0.75%. In the week ahead, we expect the euro to remain stable as Germany releases its GDP growth on Friday.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.36USD1; GHS: 6.94GBP1; GHS: 5.88EUR1

- In the just ended week, the Ghana cedi appreciated against all the tracked currencies in our basket. Against the dollar and the pound, the cedi rose by 1.98% and 3.59% respectively whilst against the pound, the local unit also edged up by 2.81%.
- The fear over the spread of the coronavirus has resulted in a decline in demand for dollars for import from China which has contributed to the stability of the cedi.
- A maintained policy rate by the Central bank made the market attractive to foreign investors to hold cedi bonds whilst anticipated high interest rate also kept the cedi stronger. The Central Bank maintained the policy rate at 16%.
- The local unit also gained grounds in the FX market after the successful issuance of a Eurobond during the recent roadshow which was almost 5 times oversubscribed with government receiving bids in excess of $14 billion.
- In the week ahead, we expect the Cedi to extend gains as the recently issued Eurobond is expected to boost international reserves and thus provide some liquidity support.

SOUTH AFRICA: ZAR: 14.99 USD1; ZAR: 19.37 GBP1; ZAR: 16.44: EUR1

- In the week under review, the rand dipped against the dollar and the euro whilst it inched up against the pound. Against the pound, the rand edged up by 0.68% whilst against the dollar and the euro, it dropped by 0.97% and 0.43% respectively.

-The South African rand plunged to a three-month low against the U.S. dollar on Friday as a strong greenback weighed down emerging market currencies. Domestic power cuts and weak economic growth added to the pressure.

- The South African currency's slide follows a torrid January, during which it lost around 8% against the greenback as fears about the global economic impact of the coronavirus outbreak triggered a sell-off of emerging market assets.
- The resumption of nationwide power cuts by South African state utility Eskom last week rattled the remaining rand bulls, while a slide in the business confidence index on Thursday further encouraged investors to sell the currency.
- In the week ahead, we expect the rand to be under pressure on the back of strong dollar and weak economic outlook.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

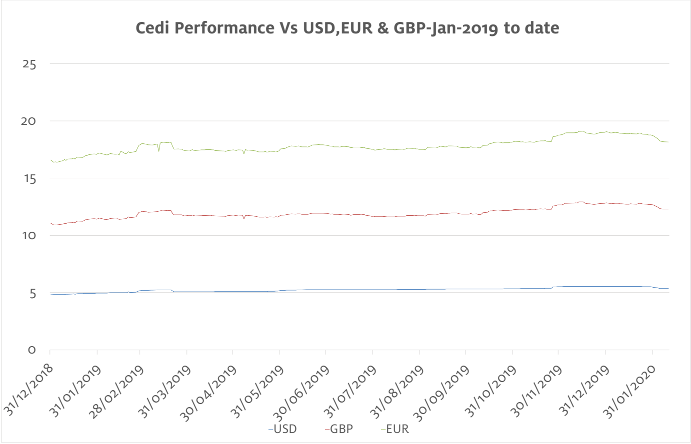
REGION	US$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2939	1.85	1.0969	0.76
Europe	0.9117	(0.75)	1.1804	0.65	1.0000	0.00
UK	0.7729	(1.82)	1.0000	0.00	0.8472	(0.78)

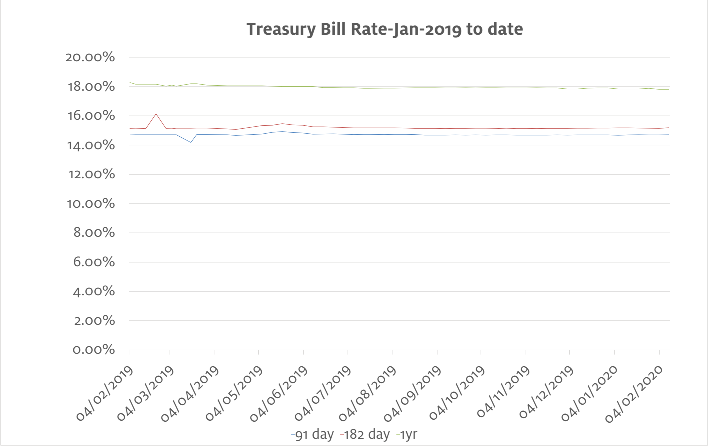
Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.3608	1.98	6.9434	3.59	5.8822	2.81
Nigeria	306.4500	0.02	396.4240	1.59	335.7770	0.89
Kenya	100.4470	0.14	130.1320	1.20	110.5190	0.34
BCEAO*	597.7500	(0.46)	773.5000	0.90	655.9600	0.00
S. Africa	14.9915	(0.97)	19.3743	0.68	16.4419	(0.43)

Sources: GCB Bank, Central bank website





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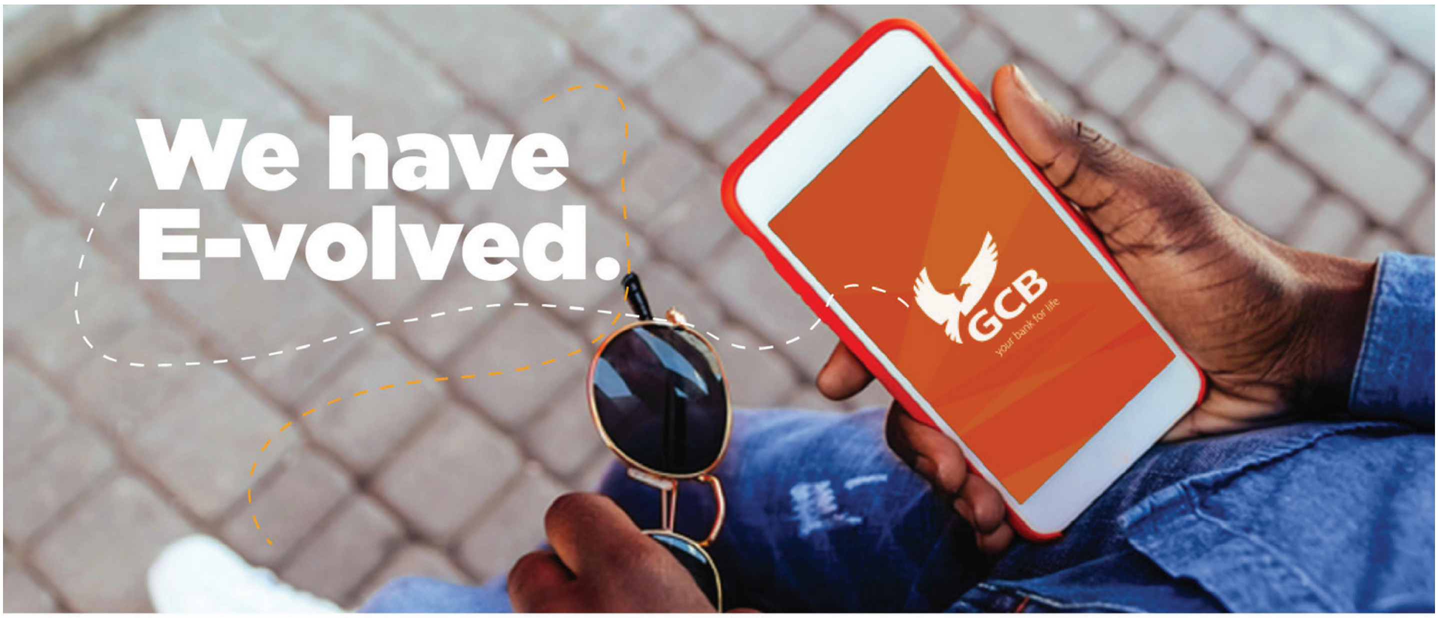

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