

# WEEKLY CURRENCY REPORT



Date Issued | 13th January, 2020



## GLOBAL FX MARKET

**USD:** The safe-haven dollar edged up against the pound and the euro. This followed signals of the United States and Iran moving away from an all-out conflict. Consequently, investors were prompted to take on more risk and shift focus to an upcoming U.S.-China trade deal and a U.S. non-farm payrolls report. The dollar inched up by 0.08% against the pound whilst against the euro, it appreciated by 0.50%. In the week ahead, focus is expected to shift back to the global economy, with expectations the United States and China will sign a trade deal next week providing underlying support for risk assets. We therefore expect the dollar to remain steady since investors think the deal will clear one of the world economy's biggest uncertainties and help boost global growth this year.

**GBP:** The pound edged lower on Friday, holding near two-week lows against the dollar as a second policymaker joined Bank of England governor Mark Carney in signaling a potential rate cut. Also, Bank of England policymaker Silvana Tenreyro said she would be inclined to back an interest rate cut in the coming months if growth does not pick up, adding to suggestions that the central bank is edging towards pumping more stimulus into the economy. Against the U.S. dollar, the pound dropped by 0.06% whilst against the euro, it inched up by 0.30%. In the week ahead, the pound is expected to remain weak due to uncertainty around Britain's future trade relationship with the EU but British lawmakers approved legislation that will allow Britain to leave the European Union on Jan. 31 with an exit deal. We therefore expect the pound to rebound supported by interest rate differentials and hopes for a smooth departure from the EU.

**EUR:** The Euro struggled last week and was down against both the Pound and Dollar to close the week after easing geopolitical tensions in the US-Iran scenario and the increasing optimism ahead of the signing of 'Phase One' deal between the US and China. Against the dollar and the pound, the euro dipped by 0.50% and 0.61% respectively. In the week ahead, release of the next monetary policy account on Thursday, 16 January 2020 and also the German GDP results on Wednesday 15 January 13, 2020 is expected to support the euro rebound.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.54USD1; GHS: 7.24GBP1; GHS: 6.15EUR1**

- In the just ended week, the Ghana cedi dipped against the dollar and the pound whereas it inched up against the euro. Against the dollar and the pound, the cedi dipped by 0.04% and 0.04% respectively whilst against the euro, the local unit was up by 0.36%.
- The cedi started off the week without a strong directional impulse, reluctant to rally. The local unit rallied with in the week as flows from Foreign Portfolio Investment (offshore) bolstered FX liquidity but ended the week lower.
- The cedi was supported by the Central bank's continued FX injection to fill corporate demand.
- News of looming Eurobond issuance and consistent regulator support also cushion the local unit to maintain its footing against the hard currency but all was not enough to prevent the cedi from depreciating.
- However, the demand for risky assets is expected to reduce gradually toward FX as market participants worry about risk in US-Iran tension. Nonetheless, we do not expect this to weigh on the local unit.
- In the week ahead, with a reduced inflation rate, we are likely to see the local unit remain steady as it is likely to be influenced by regular central bank intervention and market sentiment.

**SOUTH AFRICA: ZAR: 14.24 USD1; ZAR: 18.61 GBP1; ZAR: 15.81: EUR1**

- In the week under review, the rand dipped against the dollar but inched up against the pound and euro. Against the dollar, the rand dipped by 0.08% whilst against the pound and the euro, it increased by 0.27% and 0.41% respectively.
- South Africa's rand weakened against the dollar on Friday as power cuts weighed on the economy, while investors awaited a key interest rate decision from the central bank next week.
- The rand also regained some ground, but it was held back by troubled state utility Eskom's scheduled power cuts, which have dragged on efforts to revive growth in the continent's most industrialized economy.
- In the week ahead, Investors are waiting for the outcome of the South African Reserve Bank's monetary policy meeting on Thursday (16/01/2020), when it will announce its interest rate decision after keeping rates on hold at 6.5% at its last meeting.
- Therefore, we expect the rand to remain steady.

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

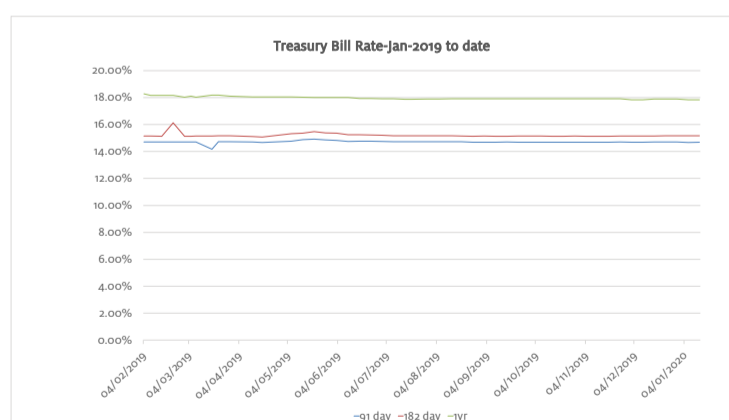
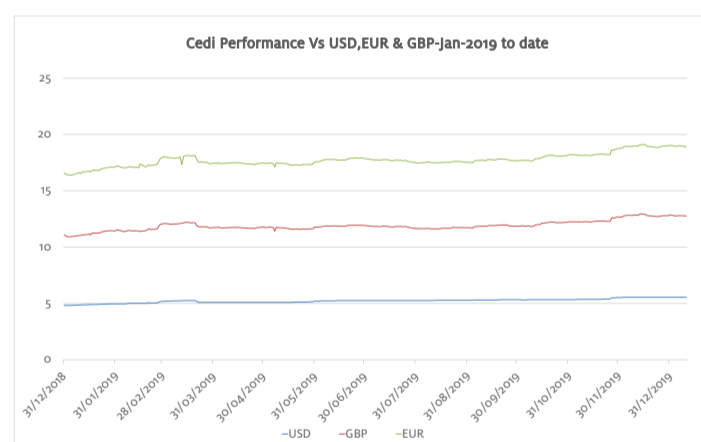
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3062	0.08	1.1091	0.50
Europe	0.9016	(0.50)	1.1791	(0.61)	1.0000	0.00
UK	0.7656	(0.08)	1.0000	0.00	0.8508	0.30

Sources: GCB Bank, Central bank websites

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

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.5363	(0.04)	7.2365	(0.04)	6.1493	0.36
Nigeria	306.4500	0.02	400.8980	(0.16)	340.0370	0.35
Kenya	101.5930	(0.62)	132.5250	0.45	112.9040	0.15
BCEAO*	590.5000	(0.47)	771.2500	(0.16)	655.9600	0.00
S. Africa	14.2360	(0.08)	18.6060	0.27	15.8050	0.41

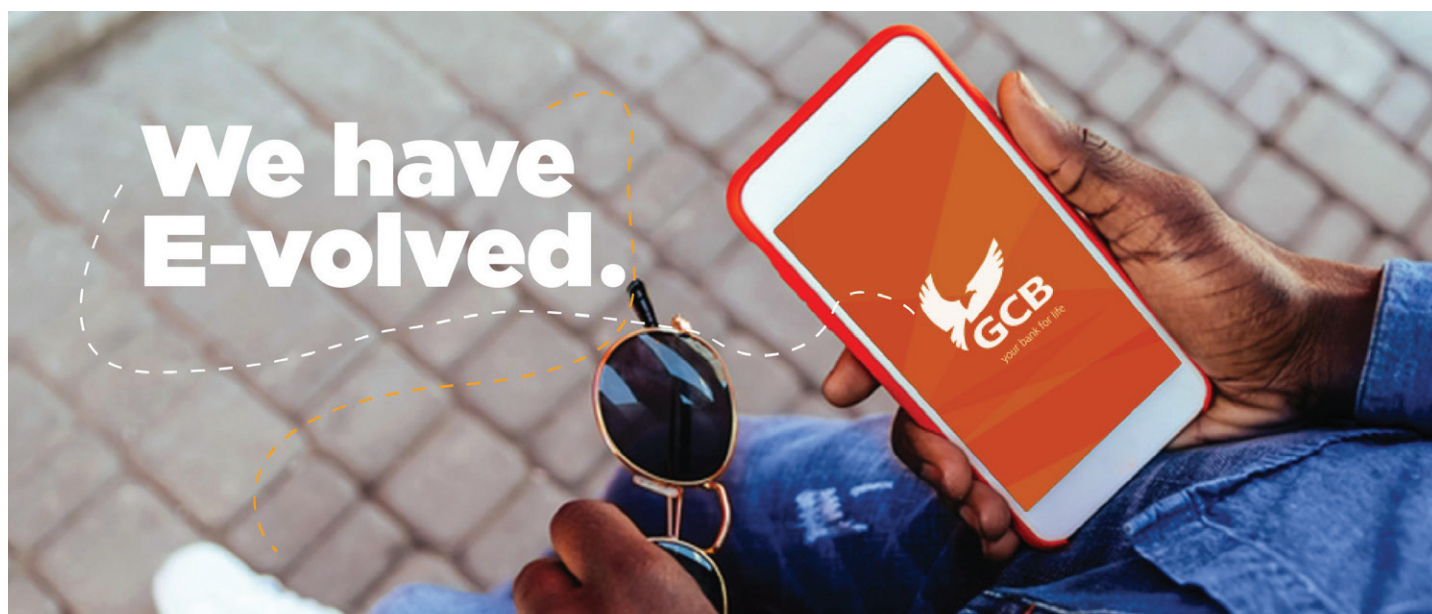
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