

WEEKLY CURRENCY REPORT



Date Issued | 24th February, 2020



GLOBAL FX MARKET

USD: The dollar fared well against most rival currencies last week, remaining the top performer for the week and tipping to advance again this week as the U.S. economy continues to demonstrate its exceptional credentials while benefiting from an apparently lesser exposure to the Chinese economy. The dollar also drew support from strong U.S. data and minutes of the Federal Reserves' last policy meeting, which showed cautious optimism on the economy about holding interest rates steady despite risks caused by the coronavirus outbreak. The dollar inched up by 0.42% and 0.38% against the pound and the euro respectively. We expect the dollar to continue soaring in the week ahead.

GBP: The sterling plunged to a three-month low against the dollar as the U.S. currency's broad-based strength swept away recent pound gains that were driven by the appointment of a new, potentially high-spending British finance minister. The better-than-expected pickup in UK retail sales volume failed to prevent the pound from ceding all the gains it made last week when Rishi Sunak's was appointed as finance minister. The sterling dipped by 0.41% and 0.49% against the dollar and euro respectively. In the week ahead, sterling exchange rates will be driven by any developments in the Brexit process as both the European Union and Britain appear to be hardening their stance before talks begin next month.

EUR: The euro dropped against the dollar but inched up against the pound as the rapid spread of the coronavirus outside China drove fears of a pandemic and sent investors to the safety of the U.S. dollar. However, the euro's rise against the pound was aided by better than anticipated PMI (Purchasing Managers' Index) data from the IHS Market survey. The euro dropped by 0.38% against the dollar but rose by 0.36% against the pound. In the week ahead, we expect the euro to move lower, on the back of recently identified coronavirus cases in Italy as well and the fact that the euro zone is much more exposed to China than the United States.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.28USD1; GHS: 6.85GBP1; GHS: 5.86EUR1

- In the just ended week, the Ghana cedi continued its upward trajectory, inching up against all the tracked currencies in our basket. Against the dollar and the pound, the cedi increased by 0.28% and 0.58% respectively whilst against the euro, the local unit remained unchanged compared to the previous week.

- The cedi continues to benefit as the spread of the coronavirus in Italy, South Korea and Iran posted sharp rises in infections over the weekend. South Korea now has more than 760 cases, Italy more than 150 and Iran 43 cases reducing importation by investors.

- The FX market also continues to witness high liquidity due to low demand for hard currencies as the number of confirmed coronavirus cases in other countries aside China increased over the last week.

- Periodic intervention by the Bank of Ghana (BoG) with their FX forward auctions calendar also provided a substantial support for the cedi within the week.

- Also, strong monetary policy decisions and reduced inflation rate for January 2020 helped to maintain the cedi's stability as it renewed investors' confidence in the economy.

-In the week ahead, we expect the Cedi to remain stable against the major currencies.

SOUTH AFRICA: ZAR: 15.17 USD1; ZAR: 19.59 GBP1; ZAR: 16.41: EUR1

- In the week under review, the rand dipped against all the tracked currencies in our basket. Against the dollar, the rand dipped by 2.07% whilst against the pound and the euro, it dropped by 1.02% and 1.86% respectively.

- South Africa's rand weakened as investors fled riskier assets following the rapid spread of the coronavirus outside mainland China, with traders cautious ahead of a closely watched budget speech this week.

- A sharp rise in the spread of the corona virus in South Korea, Iran and Italy is causing renewed market jitters.

- South Korea put the country on high alert as the number of infections jumped to over 700 and deaths rose to seven. In Italy, officials said a third person infected with the flu-like virus had died, while the number of cases jumped to above 150 from just three before Friday.

- In the week ahead, the focus is on Finance Minister Tito Mboweni's budget speech on Wednesday, where he is expected to raise personal income and excise tax to try to contain the fiscal deficit at a budget review on Feb. 26. We therefore expect the rand to rebound if the budget meets expectations, with the reverse occurring otherwise.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

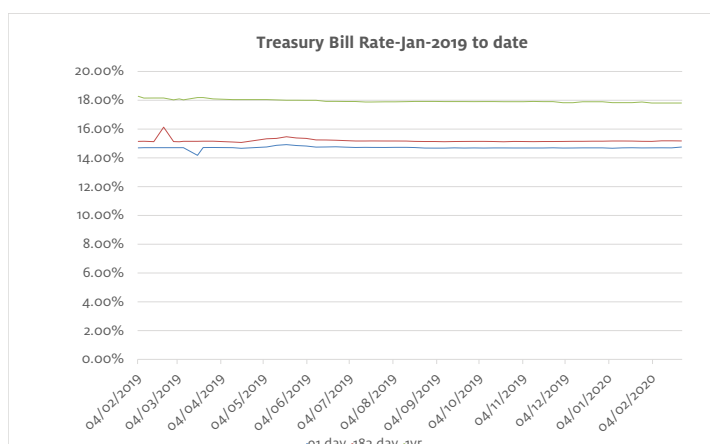
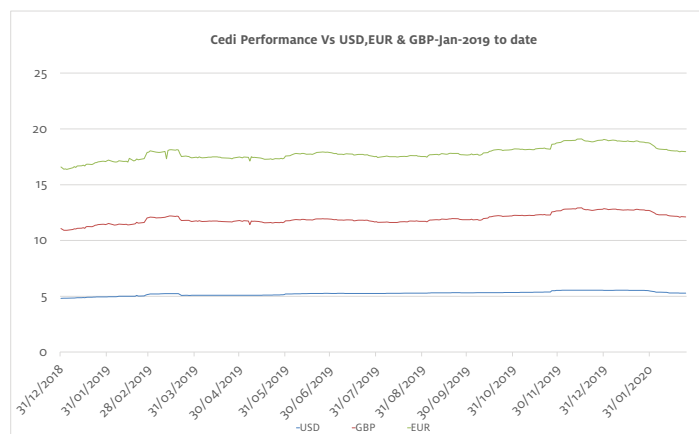
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2962	0.42	1.0801	0.38
Europe	0.9258	(0.38)	1.1975	0.36	1.0000	0.00
UK	0.7715	(0.41)	1.0000	0.00	0.8374	(0.49)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.2829	0.28	6.8541	0.58	5.8602	0.00
Nigeria	306.5000	(0.02)	396.7640	0.59	331.2040	0.26
Kenya	101.2850	(0.70)	130.3850	0.50	109.3690	(0.11)
BCEAO*	607.5000	(0.37)	783.0000	0.89	655.9600	0.00
S. Africa	15.1746	(2.07)	19.5858	(1.02)	16.4068	(1.86)

Sources: GCB Bank, Central bank website



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