

WEEKLY CURRENCY REPORT



Date Issued | 3rd February, 2020



GLOBAL FX MARKET

USD: The U.S. dollar fell to end the week on news that the American economy in 2019 posted its slowest annual growth in three years. U.S economic data on personal consumption also weakened dramatically, ending the currency's rally on safe-haven demand from worries about the economic fallout of the coronavirus outbreak in China. Also, growth in consumer spending, which accounts for more than two-thirds of U.S. economic activity, slowed to a 1.8% pace after rising at a brisk of 3.2% in the third quarter. The dollar dropped by 0.85% and 0.15% against the pound and the euro respectively. In the week ahead, we expect the dollar to rebound as we foresee it benefiting from the crisis and the spread of the coronavirus inside and outside of China.

GBP: The sterling gained to end the week after the Bank of England held interest rates at 0.75%, defying markets expectation of a rate cut to boost economic growth. Following the move, interest rate futures moved to almost price out a rate cut at the March meeting as well, reinforcing the pound's gains. Markets are however still pricing in a quarter-point reduction by September. Against the U.S. dollar and the euro, the pound inched up by 0.86% and 0.38% respectively. In the week ahead, the pound is expected to remain steady as there are more downside risks to the pound as investors gauge the progress of the Brexit negotiations.

EUR: The Euro lagged behind major rivals throughout last week but was boosted sharply on Friday by a big crash in emerging market currencies, which is something that could go on lifting the single currency in the week ahead. News flow from Europe was largely negative for the currency as GDP data from Italy, France and for the broader Eurozone all made a terrible impression. The euro inched up by 0.15% against the dollar whilst against the pound it dipped by 0.16% respectively. In the week ahead, we expect the euro to retreat as the escalation of downside risks to global growth from the spreading of the coronavirus keeps rising.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.47USD1; GHS: 7.19GBP1; GHS: 6.05EUR1

- In the just ended week, the Ghana cedi inched up against all the tracked currencies in our basket. Against the dollar and the euro, the local unit inched up by 1.09% and 0.43% respectively whilst against the pound, the local unit inched up by 0.75%.

- The cedi continued to trade on a strong footing due to improved FX liquidity which continued to drive the Cedi's performance during the week under review.

- Interbank activity on the currency market within the week was intensified before the release of the MPC's policy rate decision and slowed post-MPC release which provided a little support to the cedi.

- Periodic intervention by the Central Bank also contributed to keep the cedi firm in the market.

- For the first quarter of 2020, we do expect the Cedi to remain strong against the major currencies. We expect the local currency to post some gains supported by the upcoming Eurobond issuance, the planned issuance of US\$715 million forward Fx auction target for 2020 by BoG and the positive investor sentiment towards emerging market economies. The GoG is currently engaging the international market to raise US\$3 billion under its 2020 International Funding Program.

SOUTH AFRICA: ZAR: 14.84 USD1; ZAR: 19.50 GBP1; ZAR: 16.37: EUR1

- In the week under review, the rand depreciated against all the tracked currencies in our basket. Against the dollar, the rand dipped by 3.27% whilst against the pound and the euro, it also dropped by 3.37% and 2.97% respectively.

- South Africa's rand kept tumbling on Friday, sliding to a new 12-week low after the World Health Organization (WHO) declared the coronavirus a global emergency, compounding local economic issues faced by the currency.

- Also, State firm Eskom, poses a major threat to growth and government's balance sheet as it struggles to service its 450-billion-rand debt.

- This was the rand's worst level since Nov. 11, bringing losses for the week to nearly 4%, thus the worst amongst emerging market peers, which also suffered as investors dumped risk assets for safer bets.

- In the week ahead, we expect the rand to remain under pressure as the economy faces power crisis and investors anticipate the release of new credit rating by Moody's.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

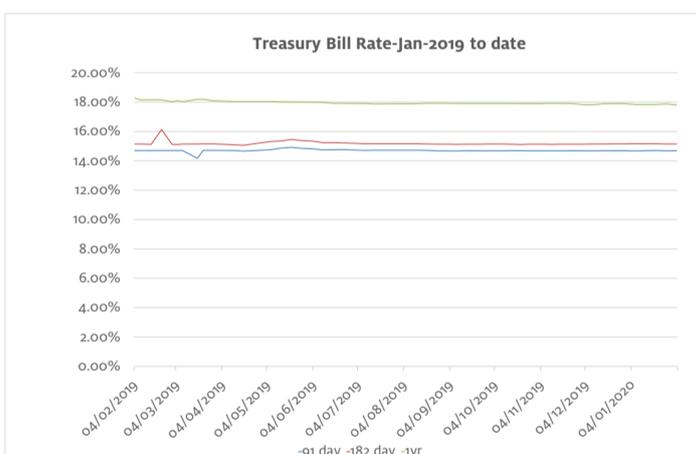
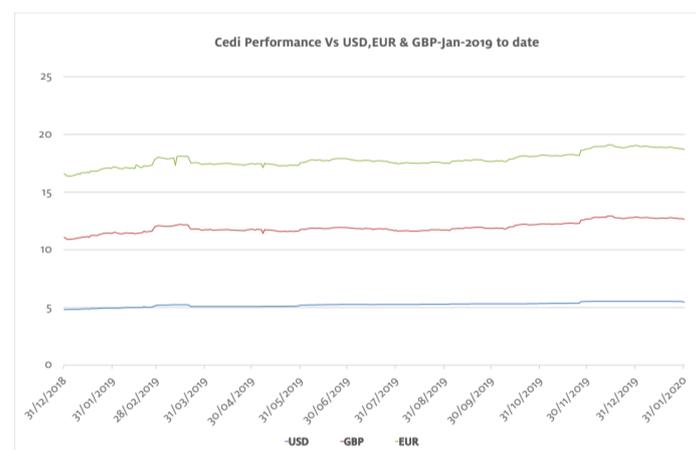
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3179	(0.85)	1.1052	(0.15)
Europe	0.9048	0.15	1.1880	(0.16)	1.0000	0.00
UK	0.7588	0.86	1.0000	0.00	0.8405	0.38

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.4672	1.09	7.1924	0.43	6.0476	0.75
Nigeria	306.5000	(0.02)	402.7100	(0.43)	338.7750	(0.19)
Kenya	100.5850	0.27	131.6890	0.53	110.8980	0.88
BCEAO*	595.0000	(0.17)	780.5000	(0.16)	655.9600	0.00
S. Africa	14.8455	(3.27)	19.5070	(3.37)	16.3709	(2.97)

Sources: GCB Bank, Central bank website



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Customer Service: 0202 111 177 0264 270 236

WhatsApp: 0202 422 422

Web: www.gcbbank.com.gh

Toll Free: 0800 422 422

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Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

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