

WEEKLY CURRENCY REPORT



Date Issued | 4th May, 2020



GLOBAL FX MARKET

USD: The dollar fell on Thursday after the Federal Reserve left interest rates unchanged and repeated a vow to do what it takes to shore up the economy that has been battered by business shutdowns due to the novel coronavirus. The dollar has weakened more than 3% after scaling a more than three-year peak in late March as global central banks launched massive stimulus measures to protect economies from the coronavirus pandemic. The dollar dipped by 2.18% and 0.70% against the pound and the euro respectively. We expect the dollar to surge in the coming week amid fears that last year's U.S.-China dispute will be re-ignited, this time over the novel coronavirus.

GBP: The pound inched up higher against the dollar and the euro last week as investors turned their attention to the Federal Reserve and European Central Bank meetings when officials announced further stimulus to ease the impact of the coronavirus crisis on their economies. This fuelled investors' optimism of central banks filling in gaps left by governments to help seal cracks in the global economy caused by the virus. The pound inched up by 2.33% and 0.93% against the dollar and the euro respectively. Our expectation is for the pound to drop this week on the back of worsening U.S.-China relations and seasonal flows as US made a renewed effort to blame China for the coronavirus outbreak.

EUR: The Euro ended the week stronger against the dollar but dipped against the pound after US President Trump threatened to revive the trade war with China. Gains in the euro against the dollar were attributed to risk aversion as US intends to punish China for its role in the spread of the Coronavirus by once again implementing trade tariffs. The euro edged up by 0.70% against the dollar while it fell by 0.68% against the pound. In the week ahead, we expect the euro to remain stable as currency traders keep a close eye on equity markets for a further decline in risk sentiment due to news regarding China trade tariffs.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.60 USD1; GHS: 7.06GBP1; GHS: 6.13 EUR1

- In the just ended week, the Ghana cedi depreciated against all tracked currencies in our basket. Versus the dollar, the local unit dipped by 1% while against the pound and the euro, it dropped by 3.14% and 2.23% respectively.

- High demand for foreign currency by investors after the lockdown weighed on the performance of the cedi.

- Decline inflow of hard currency due to low exportation as a result of the closure of border in the country also weighed on the cedi.

- The local unit depreciation was also cushioned marginally by slow marketing activities due to fear of the spread of the corona virus and its alarming increasing cases.

- Support provided by the government through its FX auction strategy was not enough to prevent the local unit from dropping against the hard currencies.

- The Government's financial stimulus to cushion businesses against the impact of coronavirus also provided some support for the cedi but was not adequate to hold it firm.

- In the week ahead, we expect the cedi to rebound relatively against the dollar on the back of hard currency inflows from the IMF US\$1 Rapid Credit Facility that is expected to boost the central bank's interbank support capacity.

SOUTH AFRICA: ZAR: 18.06 USD1; ZAR: 22.52 GBP1; ZAR: 19.65: EUR1

- In the week under review, the rand appreciated against all tracked currencies in our basket. Against the dollar and the pound, the rand inched up by 5.61% and 4.16% respectively. Against the euro, it also improved by 4.38%.

- South Africa's rand gained against the U.S. dollar, as improved risk appetite overshadowed the imminent exclusion of the country's government bonds from the World Government Bond Index (WGBI).

- Global risk sentiment has been lifted with a number of major economies readying to re-open their economies and encouraging early results from a COVID-19 treatment trial.

- South Africa's government bonds were set to formally fall out of the WGBI at the end of April, after Moody's became the last major ratings agency to revoke the country's investment grade status last month.

- We expect the rand to remain stable in the week ahead.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

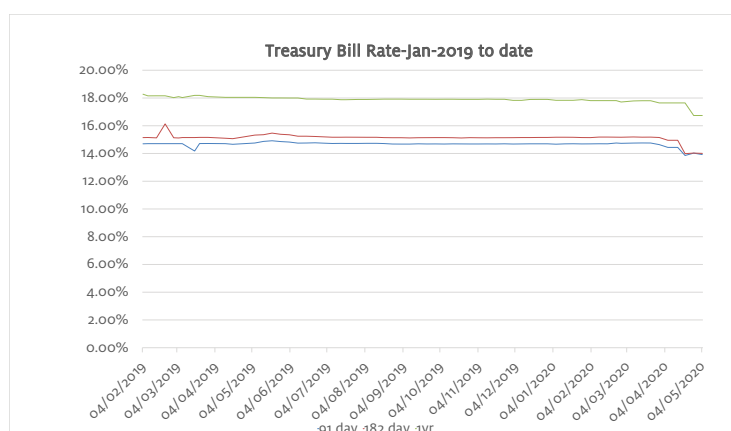
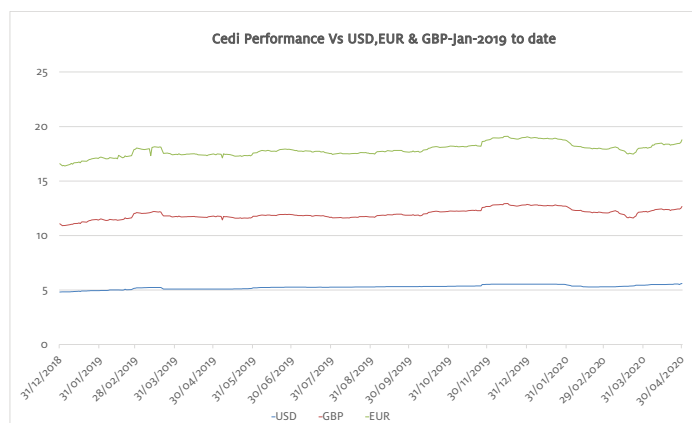
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2613	(2.18)	1.0876	(0.70)
Europe	0.9195	0.70	1.1507	(0.68)	1.0000	0.00
UK	0.7928	2.23	1.0000	0.00	0.8684	0.93

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6010	(1.00)	7.0584	(3.14)	6.1276	(2.23)
Nigeria	360.5000	0.00	451.2020	(1.37)	391.9720	(0.71)
Kenya	107.2650	(0.02)	133.9750	(1.13)	116.5940	(0.83)
BCEAO*	603.0000	1.33	750.5000	0.30	655.9600	0.00
S. Africa	18.0589	5.61	22.5249	4.16	19.6490	4.38

Sources: GCB Bank, Central bank website

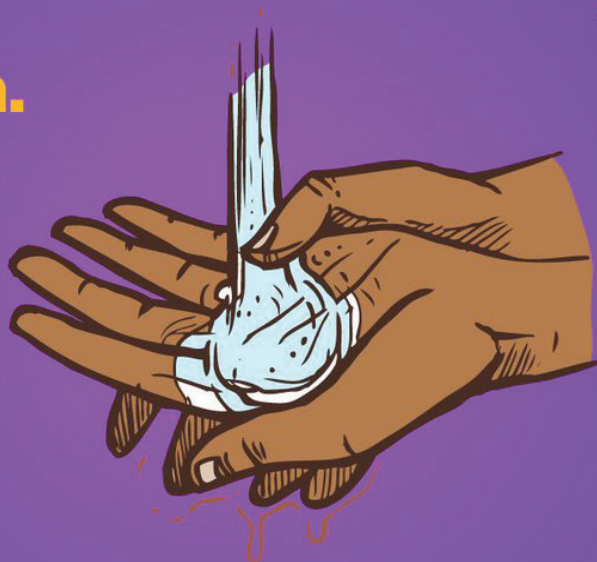


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Scrolling? Pause and wash.



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