

WEEKLY CURRENCY REPORT



Date Issued | 6th January, 2020



GLOBAL FX MARKET

USD: The dollar recovered from a six-month low to rise to end the week, the year's first trading day, after a drop in December reversed early gains as trade hopped and investor confidence diminished demand for the safe-haven asset. Bleak data out of Germany and the United Kingdom weakened the euro and pound as demand for the safe-haven dollar picked up. The euro slipped 0.05% against the dollar whilst against the pound, the dollar was also 0.17% stronger. In the week ahead, the sharp rise in tensions with Iran, we expect the dollar to remain steady as market sentiment remained cautious amid concerns about a broader escalation of Mideast conflicts after the United States killed Iran's most prominent military commander.

GBP: The Sterling extended its losses against the dollar on Friday, testing one-week lows after downbeat data on construction and consumer demand and heightening worries for an economy showing no sign of emerging from Brexit-linked gloom. The pound is under downside pressure because of dollar strength, the uncertainty generated by post-Brexit trade negotiations and a deeper contraction in the UK construction sector. Against the U.S. dollar and the euro, the pound dipped by 0.17% and 0.09% respectively. In the week ahead, investors will have their eyes on Britain's parliament which reconvenes on Tuesday (07/01/20) to debate the EU divorce deal Johnson has agreed with Brussels. We therefore expect the pound to remain steady.

EUR: The Euro closed the week a fraction lower against the dollar but inched up against the pound as signs that the euro zone economy may be stabilizing have lifted the common currency in recent weeks. Investors unwound short positions, though the currency has shed around 2% of its value against the dollar in 2019. Against the dollar, the euro dropped by 0.05% but inched up by 0.24% against the pound. In the week ahead, we expect the euro to rebound as investors are closely watching for signs of Iranian retaliation after Iranian Major-General Qassem Soleimani was killed in a U.S. drone strike on his convoy at Baghdad airport.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.53USD1; GHS: 7.23GBP1; GHS: 6.17EUR1

- In the just ended week, the Ghana cedi inched up against all tracked currencies in our basket. Against the dollar, the cedi edged up by 0.08% whilst against the pound and the euro, the local unit was up by 0.23% and 0.21% respectively.

- The fall in demand for hard currency by households and businesses after the festive period has contributed to the appreciation of the cedi against the dollar, the pound and the euro.

- Periodic intervention by the central bank has also provided some support to the local currency.

- Furthermore, government and corporate demand for FX from the commerce and energy sectors for payment of their liabilities has reduced helping the cedi to rebound.

- We therefore expect the local unit to remain steady as the festive season is over and on account of a decline in government payments in foreign currencies to the energy sector.

SOUTH AFRICA: ZAR: 14.22 USD1; ZAR: 18.66 GBP1; ZAR: 15.87: EUR1

- In the week under review, the rand dipped against all the tracked currencies in our basket. Against the dollar, euro and pound, the rand dropped by 0.83%, 1.48% and 1.01% respectively.

- South Africa's rand slumped against all the tracked currencies on Friday, as investors' dumped risky assets after a U.S. air strike in Iraq killed a top Iranian military commander.

- The move in the rand, which some investors use as a proxy for emerging market (EM) risk, was sharper than in other EM units because of strong rand gains in recent weeks.

- Other EM currencies like the Russian rouble and Turkish lira also fell on news that the U.S. air strike had killed senior Iranian military official Qassem Soleimani.

- Therefore, we expect the rand to remain under pressure as a resumption of power cuts spurred concerns over domestic growth outlook, while an exchange of threats between Iran and the United States sent investors scurrying for safe-haven assets.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

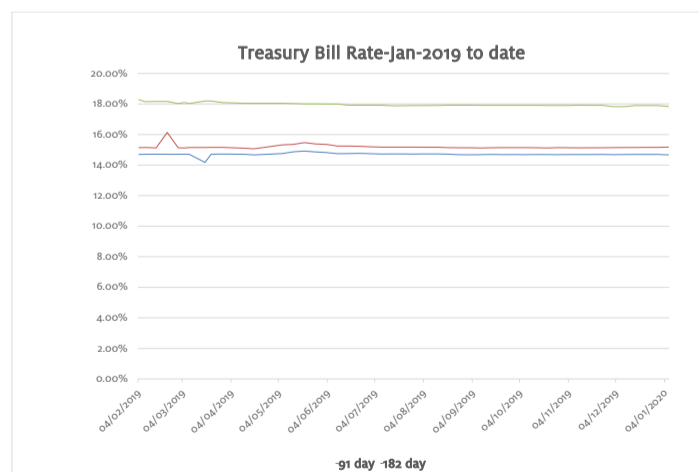
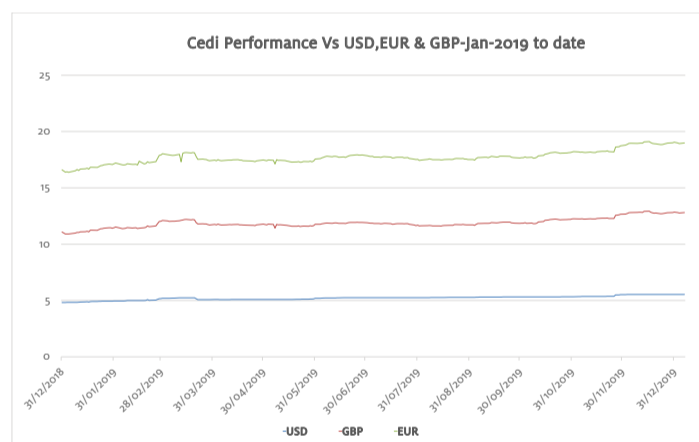
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3072	0.17	1.1147	0.05
Europe	0.8971	(0.05)	1.1719	0.24	1.0000	0.00
UK	0.7650	(0.17)	1.0000	0.00	0.8533	(0.09)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.5342	0.08	7.2338	0.23	6.1714	0.21
Nigeria	306.5000	0.00	400.2580	0.28	341.2270	0.18
Kenya	100.9590	(0.19)	133.1230	(2.36)	113.0780	(1.28)
BCEAO*	587.7500	0.34	770.0000	(0.36)	655.9600	0.00
S. Africa	14.2240	(0.83)	18.6570	(1.48)	15.8700	(1.01)

Sources: GCB Bank, Central bank website



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