

WEEKLY CURRENCY REPORT



Date Issued | 11th May, 2020



GLOBAL FX MARKET

USD: The U.S. dollar rose against some currencies on Friday after data showed the world's largest economy lost fewer jobs than expected in April on fallout from the coronavirus pandemic. Friday's data showed U.S. job losses hit 20.5 million, compared to expectations of 22 million. The unemployment rate was 14.7%, lower than the market forecast of 16%. The dollar inched up by 1.63% and 0.30% against the pound and the euro respectively. We expect the dollar to trade sideways as investors worry that economic recovery might be slower than hoped and sought the safety of the U.S. currency even though more countries are easing coronavirus lockdown restrictions.

GBP: Sterling hit a 16-day low against the dollar despite some brief respite after the Bank of England's policy statement, dominated by uncertainty over how Britain will ease its lockdown restrictions and Brexit. As broadly expected, the BoE held rates steady and announced no further stimulus, saying it was ready to take further action to counter the coronavirus pandemic's fallout. The pound dipped by 1.60% and 1.07% against the dollar and the euro respectively. We therefore expect the pound to remain under pressure as British Prime Minister Boris Johnson will on Monday (11/05/2020) give details of how to get the economy back to work while Brexit talks continue with little progress on major sticking points (before a June deadline) to agree on any extension of negotiations.

EUR: The Euro fell sharply last week against the dollar on the back of weak European economic data and concerns over the ECB's QE measures raised by a top court in Germany while against the pound it appreciated. The euro edged lower by 0.30% against the dollar while it inched up by 0.72% against the pound. In the week ahead, we expect the euro to remain stable as economic calendar is light but volatility is expected to pick during the week on the back of the outcome of the US CPI (Consumer Price Index) data release.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.60 USD1; GHS: 6.97GBP1; GHS: 6.08 EUR1

- In the just ended week, the Ghana cedi appreciated against the pound and the euro but dipped against the dollar. Versus the dollar, the local unit dipped marginally by 0.03% while against the pound and the euro, it edged up by 1.31% and 0.71% respectively.

- High FX liquidity in the market due to closure of borders by the government provided support for the cedi against the pound and the euro.

- The collapse in oil prices which is impacting on foreign currency inflow from oil exports continue to weigh on the cedi against the dollar.

- The fear of a further spread of Covid19 and increasing number of cases in Ghana also provided support for the cedi as it resulted in waning marketing activities.

- BoG intervention in the FX market through its auction strategy supported the cedi against the pound and euro while it controlled the fall against the dollar slightly.

- In the week ahead, we expect the cedi to remain under some minimal pressure due to pandemic related concerns and heightened global risk perceptions.

SOUTH AFRICA: ZAR: 18.49 USD1; ZAR: 22.90 GBP1; ZAR: 20.01: EUR1

-In the week under review, the rand inched up against all tracked currencies in our basket. Against the dollar and the pound, the rand inched up by 1.43% and 1.92% respectively. Against the euro, it also advanced by 2.50%.

- South Africa's rand firmed on Friday, with sentiments toward risk and emerging market currencies boosted by an ease in tension between China and the United States and optimism about the re-opening of some economies around the world.

- Top U.S. and Chinese trade representatives discussed the Phase 1 trade deal on Friday, with China saying they agreed to improve the atmosphere for its implementation and the United States saying both sides expected obligations to be met.

- Investors had been fretting over the potential fallout from yet another escalation in tensions between the world's two biggest economies at a time when countries are struggling with the economic havoc wrought by the new coronavirus pandemic.

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

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

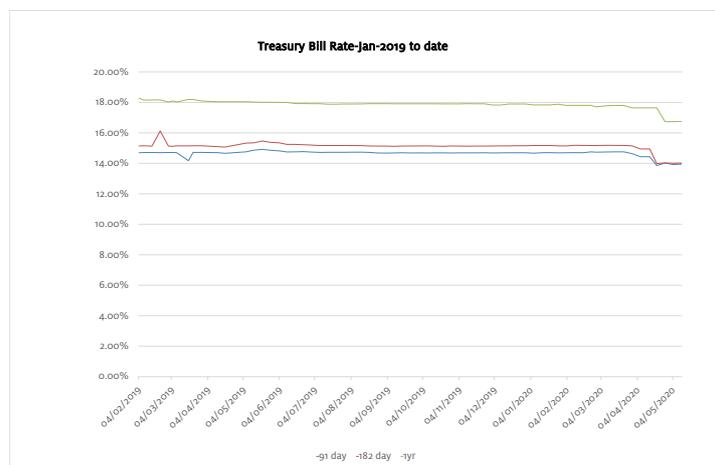
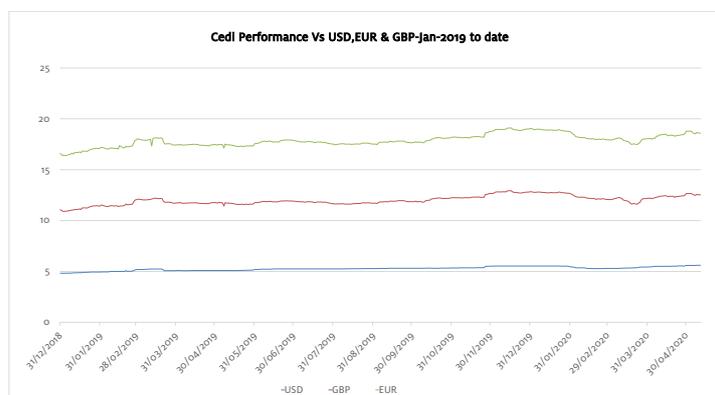
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2411	1.63	1.0843	0.30
Europe	0.9223	(0.30)	1.1424	0.72	1.0000	0.00
UK	0.8057	(1.60)	1.0000	0.00	0.8778	(1.07)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6029	(0.03)	6.9673	1.31	6.0844	0.71
Nigeria	360.5000	0.00	446.6240	0.40	390.9260	0.87
Kenya	106.0770	1.12	130.5820	2.60	114.3860	1.93
BCEAO*	605.2500	(0.87)	749.7500	(0.47)	655.9600	0.00
S. Africa	18.4869	1.43	22.9006	1.92	20.0111	2.50

Sources: GCB Bank, Central bank website



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Scrolling? Pause and wash.



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