

WEEKLY CURRENCY REPORT



Date Issued | 14th April, 2020



GLOBAL FX MARKET

USD: The dollar witnessed a weekly loss to end the week as the U.S. Federal Reserve's massive new lending programme for small companies and signs of a slowdown in coronavirus infections reduced safe-haven demand. The Fed on Thursday (09/04/2020) announced a \$2.3 trillion programme to offer loans to local governments and small and mid-sized businesses, the latest step to backstop the U.S. economy as the country battles the coronavirus crisis. The dollar dipped by 1.70% and 0.75% against the pound and the euro respectively. We expect the dollar to rebound as the Fed slashed interest rates to zero, restated quantitative easing, and increased dollar liquidity to combat a shortage in money markets.

GBP: The pound pulled ahead against the dollar and the euro as markets breathed a sigh of relief after British Prime Minister Boris Johnson left intensive care following his hospitalization for COVID-19 symptoms. The British prime minister became the first world leader to be admitted to hospital for persistent symptoms of COVID-19 but Johnson's condition has gradually improved. The pound inched up by 1.73% and 0.43% against the dollar and the euro respectively. We therefore expect the pound to remain stable in hopes that the lockdown will slow the spread of the coronavirus pandemic and strengthen currencies seen as riskier bets.

EUR: The Euro inched up against the dollar but dipped against the pound after a 14-hour meeting of Eurozone finance ministers failed to produce an agreement supporting a common fiscal response to the coronavirus crisis which will impose a heavy cost on Europe's economies. The euro was up by 0.76% against the dollar whilst it ended lower against the pound. In the week ahead, we expect the euro to remain stable as Eurozone nations work on finding an agreement for a unified borrow-and-spend programme to deal with the economic fallout from the coronavirus crisis.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.51USD1; GHS: 6.86GBP1; GHS: 5.86EUR1

- In the just ended week, the Ghana cedi depreciated against the dollar and the pound while it held steady against the euro. The cedi dipped by 0.81% and 2.56% against the dollar and the pound respectively.

- The cedi lost further ground against the dollar as confirmed number of Covid19 cases in the country continued to increase causing investors to react negatively.

- Government stimuli packages also provided support for the local unit to cushion its losses against the pound and the dollar while it held firm against the euro.

- The initial raised concerns about a leadership vacuum in UK which boosted the cedi against the pound last week could not hold for this week as the British prime minister's condition has gradually improved.

- Low demand for foreign currency by investors and speculators which supported the cedi was not enough to prevent the unit from depreciating.

- The regular intervention by the Central bank in the FX market also mitigated the magnitude of the loss against the major currencies.

- In the weeks ahead, we expect the cedi to rebound as the expected inflow of the US\$1 billion rapid credit facility from IMF trickles in. Also, we expect the lockdown which has caused a decline in demand for foreign currencies by business operators to support the cedi.

SOUTH AFRICA: ZAR: 18.09 USD1; ZAR: 22.43 GBP1; ZAR: 19.67: 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 3.44% and 2.84% respectively. Against the euro, it also edged up by 2.73%.

- South Africa's rand rallied to its firmest in more than a week on Thursday, breaking through the key 18.00 mark as increased bets of the currency returning to fair value and a new \$2.3 trillion stimulus by the U.S. central bank spurred demand.

- The greenback sank after the Federal Reserve rolled out a \$2.3 trillion plan aimed at taming growing unemployment, prompting a further unwinding of long dollar positions, with money chasing higher yields elsewhere benefiting riskier currencies.

- The rand, after tumbling to an all-time low of 19.3450 following two credit rating downgrades in quick succession, has clawed back ground in the last few sessions in line with other emerging market currencies.

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

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

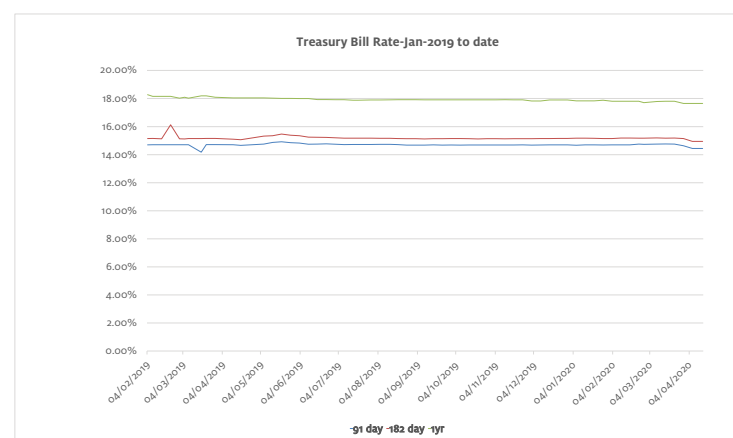
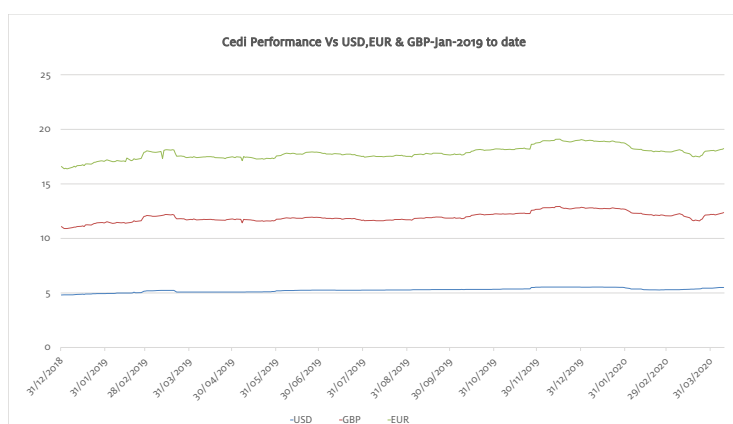
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.247	(1.70)	1.0867	(0.75)
Europe	0.9202	0.76	1.142	(0.32)	1.0000	0.00
UK	0.8019	1.73	1.0000	0.00	0.8771	0.43

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.5055	(0.81)	6.8643	(2.56)	5.8602	0.00
Nigeria	360.5000	0.00	447.5970	(1.06)	391.6110	(0.64)
Kenya	106.0040	(0.32)	131.0400	0.15	115.1620	0.12
BCEAO*	603.5000	0.58	748.5000	0.10	655.9600	0.00
S. Africa	18.0868	3.44	22.4295	2.84	19.6676	2.73

Sources: GCB Bank, Central bank website



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