

WEEKLY CURRENCY REPORT



Date Issued | 15th June, 2020



GLOBAL FX MARKET

USD: The U.S. dollar rose against the pound on Friday as stocks on Wall Street rallied from their worst one-day performance in three months, while the euro dropped against the greenback, erasing gains. Hopes of a post-COVID global recovery, the easing of U.S.-China trade tensions and the prospect of capped long-term yields in the United States had weighed on the dollar, pushing it lower against most major currencies, before it strengthened. The dollar inched up by 1.48% and 0.23% against the pound and the euro respectively. We expect the dollar to remain stable as investors are bracing for a number of key events, including discussions on the European Union recovery fund and Brexit negotiations.

GBP: Sterling sank against the dollar and euro on Friday as fears of a second wave of coronavirus hit risk sentiment and global markets, with investors also nervous ahead of a key meeting on Brexit negotiations. The pound shed its gains against a weaker dollar and the euro as a combination of stronger appetite for risk, unprecedentedly weak economic data and Brexit concerns weighed on the British currency. The pound declined by 1.46% and 0.87% against the dollar and the euro respectively. We expect the pound to rebound as British Prime Minister Boris Johnson will join a video-conference with EU leaders on Monday (15/06/2020), keen to make headway in negotiations on a future EU-UK relationship.

EUR: The Euro rallied to a week high against the pound but declined against the dollar in the wake of the announcement that ECB would expand the size of its Pandemic Emergency Purchase Programme (PEPP) by €600 billion to a total of €1,350 billion, saying the move would support funding conditions in the real economy. The euro reacted well to the news, rallying against the Pound and dropping marginally against the U.S. Dollar. The euro advanced by 0.23% against the pound but against the dollar, it dipped by 0.23%. We therefore expect the euro to remain stable against other currencies on the back of measures announced by the ECB. European businesses will be delighted not just with the funding, but with the intent shown by the ECB.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.65 USD1; GHS: 7.07 GBP1; GHS: 6.35 EUR1

- In the just ended week, the Ghana cedi dipped against the dollar whilst it inched up against the pound and the euro. The cedi dropped against the dollar by 0.48%. Against the pound and the Euro, it appreciated by 1% and 0.09% respectively.

- The local unit improved to end the week as investors sold riskier currencies on fears of a second wave of the coronavirus in Beijing.

- Fears of a second wave of coronavirus hit risk sentiment and key meeting on Brexit negotiations ahead triggered speculators to reduce their net short position on the pound which helped the cedi to end the week stronger.

- Continuous intervention by the Central bank through FX auction and regulation was able to mitigate the level of depreciation against the dollar.

- Gradual easing of restrictions also contributed to the cedi depreciation due to high demand for foreign currencies by investors.

- In the week ahead, we expect the cedi to remain stable backed by the gradual improvement in oil prices which will shore up the country's international reserves to cushion the cedi.

SOUTH AFRICA: ZAR: 17.09 USD1; ZAR: 21.58 GBP1; ZAR: 19.36 EUR1

- In the week under review, the rand depreciated against all tracked currencies in our basket. Against the dollar and the pound, the rand weakened by 1.39% and 1.26% respectively. Against the euro, it also declined by 1.24%.

- South Africa's rand witnessed its biggest fall since November 2016, as global investors dumped riskier assets and dismal domestic data drove home the economic impact of the COVID-19 pandemic.

- Fed policymakers projected the U.S. economy to shrink 6.5% this year and the unemployment rate to be 9.3% at year-end.

- The projections dented hopes that economies would recover more strongly once coronavirus lockdowns are lifted, driving investors away from riskier currencies.

- The gloomy outlook by the Fed brought optimistic markets back to reality. We therefore expect the rand to remain under pressure as investors are awaiting mining output data from March and April, as well as manufacturing output for March to gauge the health of the domestic economy.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

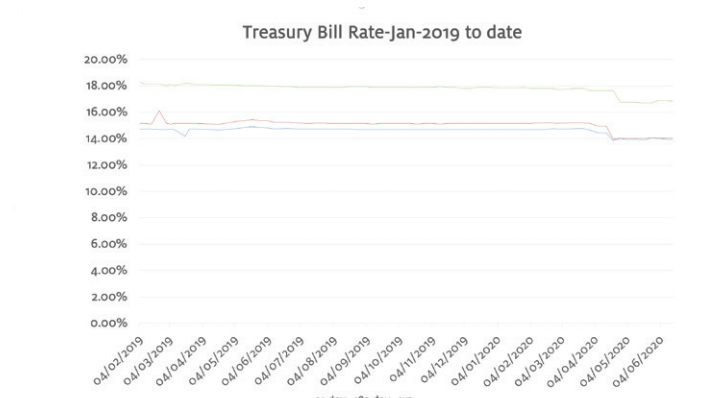
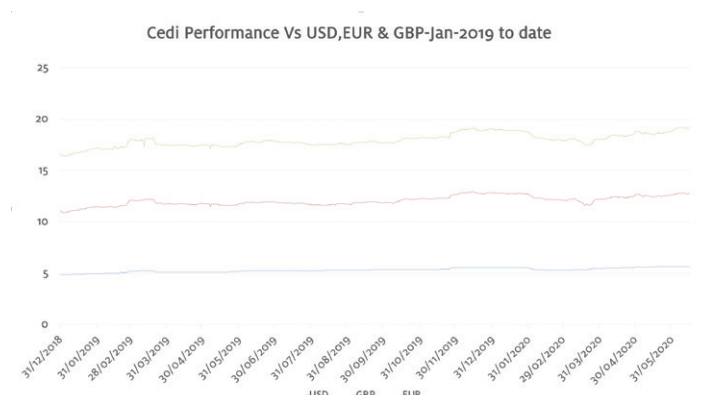
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2539	1.48	1.1304	0.23
Europe	0.8846	(0.23)	1.1154	0.23	1.0000	0.00
UK	0.7975	(1.46)	1.0000	0.00	0.8969	(0.87)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6500	(0.48)	7.0704	1.00	6.3546	0.09
Nigeria	360.5000	0.00	456.0330	0.21	409.2760	(0.18)
Kenya	106.5050	(0.39)	134.9170	(1.06)	120.9880	(1.59)
BCEAO*	580.0000	(0.39)	730.7500	0.07	655.9600	0.00
S. Africa	17.0858	(1.39)	21.5820	(1.26)	19.3583	(1.24)

Sources: GCB Bank, Central bank website



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