

WEEKLY CURRENCY REPORT



Date Issued | 17th February, 2020



GLOBAL FX MARKET

USD: The greenback rose to its highest against the euro to end the week as investors ploughed more money into the U.S. stock market on growing optimism that the economic impact of the coronavirus will be contained. A stronger U.S. economic outlook supported the greenback, which also benefited as investors borrow in the euro to invest in higher-yielding U.S. assets. The dollar edged up by 1.17% against the euro whilst it dipped by 0.59% against the pound. In the week ahead, we expect the dollar to remain stable as it will be taking its cues from movements in other currencies, which will themselves be driven by their own respective economic figures that are set to be published over the coming days.

GBP: The pound held on to most of its overnight gains on Friday and was set for its biggest weekly rise in two months, as investors ramped up expectations that the new British finance minister would unveil a more expansionary budget next month. In a sign of Boris Johnson tightening his control, the British Prime Minister forced the resignation of Sajid Javid as finance minister on 13/02/20 and replaced him with Rishi Sunak. The sterling inched up by 0.60% and 1.67% against the dollar and euro respectively. In the week ahead, attention will turn back to the health of the British economy, with employment, inflation and retails sales numbers all due. We therefore expect the pound to remain relatively stable.

EUR: The euro dropped to more than two-year lows against the dollar and the pound as concerns about a sharp rise in the number of new cases in the coronavirus outbreak in China led investors to seek out U.K and U.S. assets. This is because Europe and Germany in particular, have very strong trade linkages to Asian markets, specifically with China. The Euro was the worst performing major currency as investors borrowed low-yielding currencies such as the euro and invested in dollars. The euro dropped by 0.75% and 1.78% against the pound and dollar respectively. In the week ahead, we expect the euro to rebound as the next German ZEW (Leibniz Centre for European Economic Research) survey will be released on Friday (21/02/20) if data meets expectation and vice versa.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.30USD1; GHS: 6.89GBP1; GHS: 5.86EUR1

- In the just ended week, the Ghana cedi edged up against all the tracked currencies in our basket. Against the dollar and the pound, the cedi inched up by 1.19% and 0.72% respectively whilst against the pound, the local unit also rose by 0.38%.

- The local unit stood firm amid investor fears that the coronavirus outbreak could hit China's economic growth and exports from countries such as Ghana, which relies on commodity sales to the Asian giant.

- The high liquidity in the FX market was due to low demand for dollar by importers who buy from China as the number of confirmed coronavirus cases in China spiked over the last week.

- Also a reduction in the inflation rate for January 2020 (7.8% vs 7.9% in December 2019) supported the cedi by giving investors hope that the Bank of Ghana had room to loosen its policy at its next meeting in March. -Regular intervention by the Central bank also played a major role to keep the cedi strong against the major currencies within the week.

- In the week ahead, our expectation is for the Cedi to remain strong against the major currencies.

SOUTH AFRICA: ZAR: 14.86 USD1; ZAR: 19.39 GBP1; ZAR: 16.10: EUR1

- In the week under review, the rand inched up against the dollar and the euro whilst it dropped against the pound. Against the pound, the rand dipped by 0.06% whilst against the dollar and the euro, it inched up by 0.88% and 2.11% respectively.

- South Africa's rand firmed on Friday after President Cyril Ramaphosa set out brief plans to stimulate economic growth during his state of the nation address, although his speech was short on specifics and time frames.

- He said that his government would shortly issue plans to procure more power and increase generating capacity outside struggling power utility company, Eskom.

- Additionally, the rand was supported as China stepped in to shield the world's second-largest economy from the impact of the coronavirus outbreak, lifting global risk appetite.

- In the week ahead, we expect the rand to remain steady as the President of South Africa acknowledged and promised to fix its strained public finances and procure more renewable energy to address the power crisis.

- In the week ahead, we expect the rand to be under pressure on the back of strong dollar and weak economic outlook.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

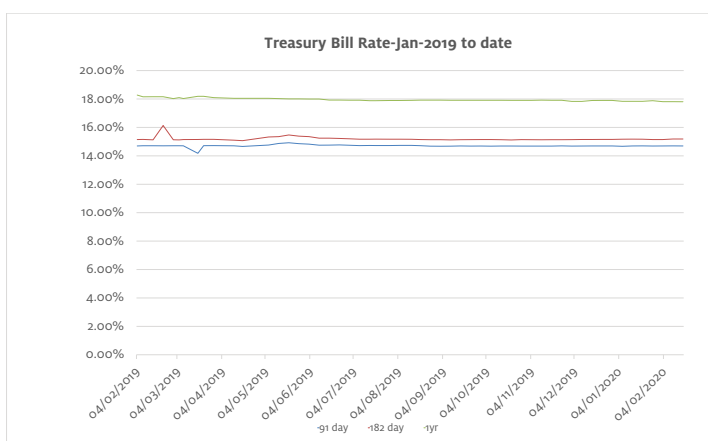
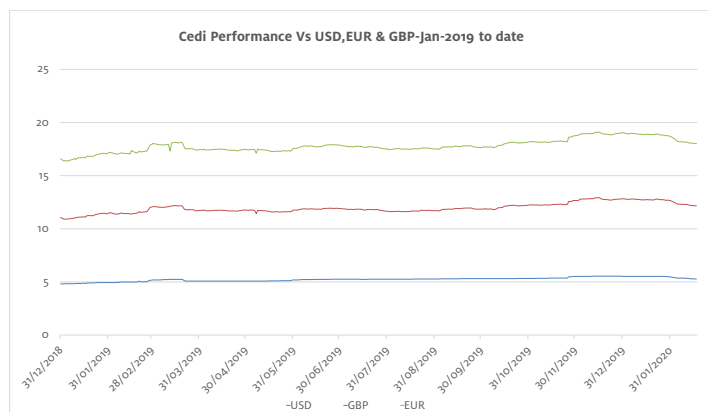
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3016	(0.59)	1.0842	1.17
Europe	0.9223	(0.75)	1.2018	(1.78)	1.0000	0.00
UK	0.7683	0.60	1.0000	0.00	0.8333	1.67

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.2976	1.19	6.8938	0.72	5.8602	0.38
Nigeria	306.4500	0.00	399.1210	(0.68)	332.0690	1.12
Kenya	100.5790	(0.13)	131.0360	(0.69)	109.2490	1.16
BCEAO*	605.2500	(1.24)	790.0000	(2.09)	655.9600	0.00
S. Africa	14.8601	0.88	19.3865	(0.06)	16.1016	2.11

Sources: GCB Bank, Central bank website



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