

WEEKLY CURRENCY REPORT



Date Issued | 18th May, 2020



GLOBAL FX MARKET

USD: The U.S. dollar index attracted safe-haven risks on Friday after U.S. retail sales endured a second straight month of record declines in April as the novel coronavirus pandemic kept Americans at home, putting the economy on track for its biggest contraction in the second quarter since the Great Depression. The dollar edged up by 2.35% and 0.42% against the pound and the euro respectively. We expect the dollar to remain stable as traders of short-term U.S. interest-rate futures reduce bets that the Fed will take the unprecedented step of pushing interest rates below zero.

GBP: Sterling hovered at near two-month lows against the dollar and the euro on Friday, as talk of negative interest rates from the Bank of England and a stalemate in Brexit negotiations kept the currency pinned within tight ranges. The pound dipped by 2.30% and 1.62% against the dollar and the euro respectively. We therefore expect the pound to remain under pressure due to the continued confusion over government's plans to ease lockdown measures; UK recorded as the worst COVID-19 death toll in Europe and revived Brexit risks keep weighing on the pound.

EUR: The Euro traded lower against the dollar while it inched up against the pound as traders reacted to a drop in bond yields. Euro Zone government bond yields fell, thus Italy's bond market, over 4 basis points: Germany's 10-year bond yield was last down 1.5 basis points on the day at -0.54%. The euro dipped by 0.42% against the dollar whereas it improved by 1.37% against the pound. In the week ahead, we expect the euro to remain stable following the positive sentiment across the global financial markets. However, simmering tensions between China and the U.S could weigh on the EUR.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.61 USD1; GHS: 6.80GBP1; GHS: 6.07 EUR1

- In the just ended week, the Ghana cedi depreciated against the dollar while it appreciated against the pound and the Euro. Against the dollar, the local unit dropped by 0.17% whereas against the pound and the Euro, it advanced by 2.43% and 0.24% respectively.

- Decline in demand for FX in the market due to closure of borders continue to cushion the performance of the cedi against the hard currencies.

- The cedi dipped against the dollar, which typically functions as a safe-haven investment as investors added risk to their portfolios, buying U.S. dollars.

- Optimism about a reopening of economies, stifled by the increasing number of coronavirus pandemic cases also provided support for the cedi.

- Gradual improvement in oil prices as well provided marginal support for the cedi against the dollar on foreign currency proceeds from oil exports.

- Continuous FX auction by the Central bank supported the local unit against our tracked basket of currencies.

- In the week ahead, we expect the cedi to remain stable supported by the maintained policy rate and the expected boost of foreign exchange liquidity from the US\$1 billion Repurchase Agreement (Repo) facility by BoG and the FED.

SOUTH AFRICA: ZAR: 18.51 USD1; ZAR: 22.50 GBP1; ZAR: 20.05: EUR1

- In the week under review, the rand depreciated against the dollar and the euro while it inched up against the pound. Against the dollar and the euro, the rand dipped by 1.03% and 1.15% respectively. Against the pound, it improved by 0.59%.

- South Africa's rand fell on Friday and ended lower on the week as fears about a resurgence of coronavirus infections hurt sentiment toward the emerging markets.

- New infections in Germany and other countries that have eased their lockdown restrictions dented earlier investor optimism that economies could return to normalcy.

- Risk sentiment was further dampened by a flare-up of trade tensions between China and the United States, with U.S. President Donald Trump saying on Thursday (14/05/2020) he was disappointed with China's failure to contain the coronavirus, suggesting he could cut ties with Beijing.

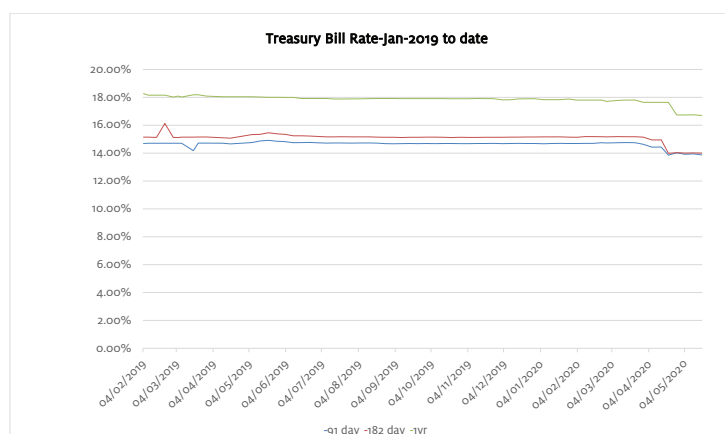
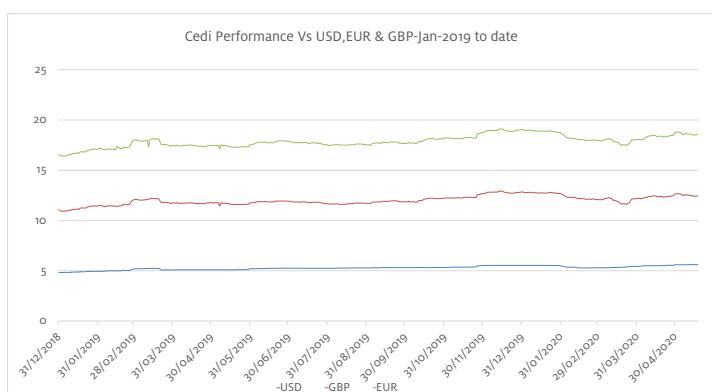
- We therefore expect the rand to remain under pressure in the week ahead.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2126	2.35	1.0798	0.42
Europe	0.9261	(0.42)	1.1269	1.37	1.0000	0.00
UK	0.8247	(2.30)	1.0000	0.00	0.8922	(1.62)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6127	(0.17)	6.8018	2.43	6.0700	0.24
Nigeria	360.5000	0.00	438.5480	1.22	389.3760	0.21
Kenya	106.8110	(0.73)	130.3240	0.72	115.2750	(0.27)
BCEAO*	606.7500	(0.21)	741.0000	1.21	655.9600	0.00
S. Africa	18.5111	(1.03)	22.4965	0.59	20.0457	(1.15)

Sources: GCB Bank, Central bank website



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