

# WEEKLY CURRENCY REPORT



Date Issued | 20th April, 2020



## GLOBAL FX MARKET

**USD:** The dollar ticked lower against the pound but edged up against the euro last week as investors who were cautiously optimistic about the results of a drug trial and President Donald Trump's plan to reopen the economy, regained some appetite for risk. Sentiment was boosted overnight by a media report detailing encouraging partial data from experimental drug trials on severely ill COVID-19 patients at the University of Chicago hospital. The dollar dipped by 0.27% against the pound whilst it inched up by 0.06% against the euro. We therefore expect the dollar to rebound on news of Trump's plans to reopen the world's largest economy.

**GBP:** The pound climbed to a three-week high on Friday as the dollar tumbled against its rivals after the Federal Reserve rolled out a \$2.3 trillion effort to bolster local governments and small and mid-sized businesses in its latest move to support the U.S. economy. The pound edged up by 0.27% against the dollar and the euro respectively. We therefore expect the pound to remain stable as the Bank of England has agreed temporarily to lend money to the government to fight the spread of COVID-19 if funds cannot immediately be raised from debt markets to mitigate impact on currency markets.

**EUR:** The Euro ended the week as the worst performing currency in our basket. The single currency fell victim to fresh concerns about an absence of unity among leaders of the currency bloc, which could impose financial and political costs on the Euro over the medium-to-long-term. The euro was down by 0.06% and 0.67% against the dollar and the pound respectively. In the week ahead, we expect the euro to come under pressure as Germany, Austria, Denmark and others each take steps to restart their economies following national shutdowns aimed at containing the coronavirus.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GGHANA: GHS: 5.51USD1; GHS: 6.88GBP1; GHS: 5.86EUR1**

- In the just ended week, the Ghana cedi edged lower against the dollar and the pound while it remain firm against the euro. The cedi dropped by 0.09% and 0.28% against the dollar and the pound respectively.

- The local unit dipped marginally against the dollar and the pound as the President extended the lockdown with an additional week to curtail the spread of the virus.

- Continuous support by the Government to manage the impact of Covid19 on businesses and SMEs through financial packages likewise was not enough to prevent the local unit from depreciating against the hard currency.

- High liquidity in the FX market due to low demand by investors for the Euro due to the pandemic provided some support for the cedi against the euro.

- The local unit also fell back for the second consecutive week against the dollar and pound as investors realized it was too early to be optimistic about a recovery from the coronavirus crisis with the extension.

- The periodic intervention by the Central bank in the FX market also played a major role to lessen the level of loss against the major currencies.

- In the week ahead, we expect the cedi to remain under pressure due to demand forces after the President on his last address to the nation lifted the restrictions on movements.

**SOUTH AFRICA: ZAR: 18.82 USD1; ZAR: 23.41 GBP1; ZAR: 20.37: EUR1**

- In the week under review, the rand dipped against all tracked currencies in our basket. Against the dollar and the pound, the rand dropped by 3.87% and 4.18% respectively. Against the euro, it also declined by 3.45%.

- South Africa's rand ended the week softer on Friday, backtracking despite glimmers of risk appetite returning to global markets.

- The unit was roiled by a surprise lending rate cut by the local central bank on Tuesday and little sign that government was ready to open the fiscal stimulus taps to slow an economic contraction this year.

- Investors betting on a reversal of the recent greenback rally versus the rand, especially with the United States spending trillions to tackle what is set to be its deepest recession yet, caused the rand to drop.

- News of U.S. President Donald Trump's plans to reopen the world's largest economy also fed bids back into the dollar and dampened risk demand.

- We therefore expect the rand to remain under pressure in the week ahead to reflect the optimism over signs of success in a COVID-19 treatment drug trial and early plans to reopen the U.S. economy.

### GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

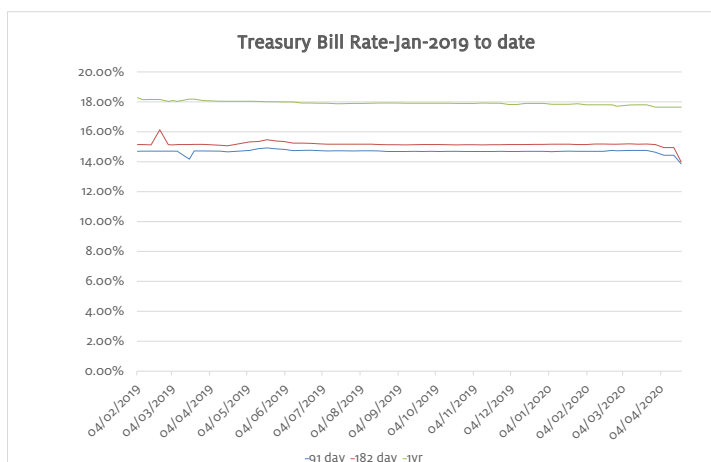
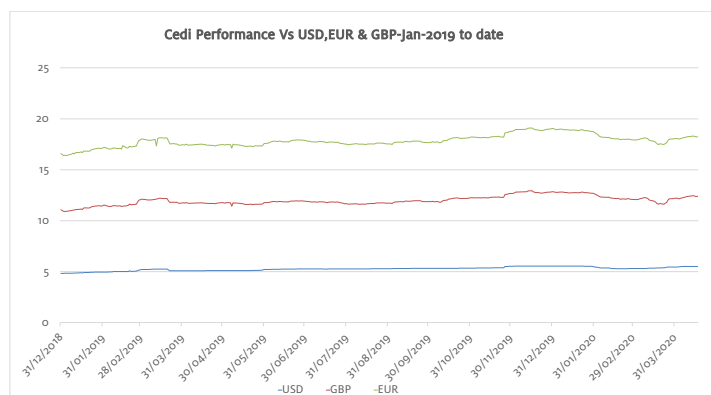
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2504	(0.27)	1.086	0.06
Europe	0.9208	(0.06)	1.1497	(0.67)	1.0000	0.00
UK	0.7997	0.27	1.0000	0.00	0.8709	0.72

Sources: GCB Bank, Central bank websites

### AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.5105	(0.09)	6.8834	(0.28)	5.8602	0.00
Nigeria	360.5000	0.00	450.1200	(0.56)	391.3230	0.07
Kenya	106.2030	(0.19)	132.4940	(1.10)	115.4210	(0.23)
BCEAO*	603.7500	(0.04)	752.0000	(0.47)	655.9600	0.00
S. Africa	18.8159	(3.87)	23.4070	(4.18)	20.3701	(3.45)

Sources: GCB Bank, Central bank website



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