

WEEKLY CURRENCY REPORT



Date Issued | 23rd March, 2020



GLOBAL FX MARKET

USD: The dollar eased on Friday as six major central banks announced a coordinated action to enhance liquidity in the currency. The greenback staged a ferocious rally last week as investors scrambled to obtain the currency, gaining its biggest weekly rise since the 2008 financial crisis. The dollar was up by 5.66% and 3.71% against the pound and the euro respectively. We expect the dollar to continue enjoying its stability as uncertainties about costs and fiscal health continue to drive investors from risk assets into dollars.

GBP: The British pound plunged to its lowest level against the dollar since 1985 and to a more than decade-low versus the euro as coronavirus fears and a global rush to hold dollars overshadowed stimulus efforts. The pound came under fierce selling pressure last week as traders dumped positions across the board in a mad scramble to get their hands on dollars. The pound was down by 5.36% and 1.93% against the dollar and the euro respectively. We therefore expect the pound to remain under pressure as investors demand dollars which is seen as a safe haven in times of crisis.

EUR: The euro dipped against the dollar but rose against the pound after the European Central Bank announced a 750 billion euro asset-purchase programme in response to the coronavirus outbreak. The ECB said the new programme, which targets public- and private-sector assets is to offset the impact the coronavirus outbreak is having on the global economy and financial markets. The euro was down by 3.58% against the dollar whilst it rose by 2.20% against the pound. In the week ahead, we expect the euro to also remain under pressure as many investors are selling what they can to keep their money in dollars due to the unprecedented amount of uncertainty caused by the virus epidemic.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.36USD1; GHS: 6.32GBP1; GHS: 5.86EUR1

- In the just ended week, the Ghana cedi dipped against the dollar whilst it inched up against the pound. The local unit continued to remain unchanged against the euro. The cedi dropped by 0.61% against the dollar and increased by 5.45% against the pound, whilst closing flat against the euro.

- The local unit continued to lose to the dollar on the back of selling pressures from offshore investors who sought more liquid assets amid the deepening panic around the corona virus disease.

- The Central bank's FX forward auction selling a whopping \$33mn allowed the cedi to minimize losses, albeit marginally.

- The Bank of Ghana's regular intervention in the FX market also supported the local unit against the pound, whilst against the euro it remained flat.

- In the week ahead, we expect the cedi to remain stable as the Central bank put up directives on primary reserve requirement, capital conservation buffer and loan repayment schedule which are likely to boost investor confidence in the economy.

SOUTH AFRICA: ZAR: 17.19 USD1; ZAR: 20.40 GBP1; ZAR: 18.54: EUR1

- In the week under review, the rand depreciated against the dollar and the euro but was up against the pound. Against the dollar, the rand dipped by 5.08% and against the euro, it was also down by 1.51%. Versus the pound, the rand inched up by 0.86%.

- South Africa's rand weakened early, threatening to breakthrough a lifetime low against the dollar as concerns over increasing coronavirus infections and the likely announcement of stricter measures weighed on already shaky sentiment.

- Also, with a review of its last investment grade credit rating by Moody's due on Friday(27/03/2020) and coronavirus infections jumping above 240 in a matter of two weeks, sentiment towards the rand and other local assets is set to remain on the ropes.

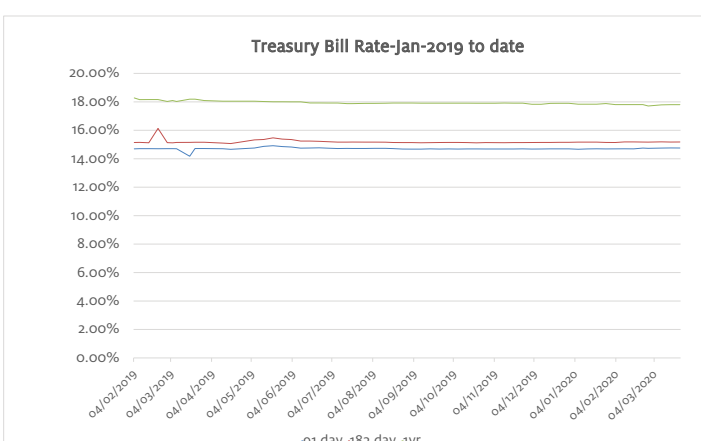
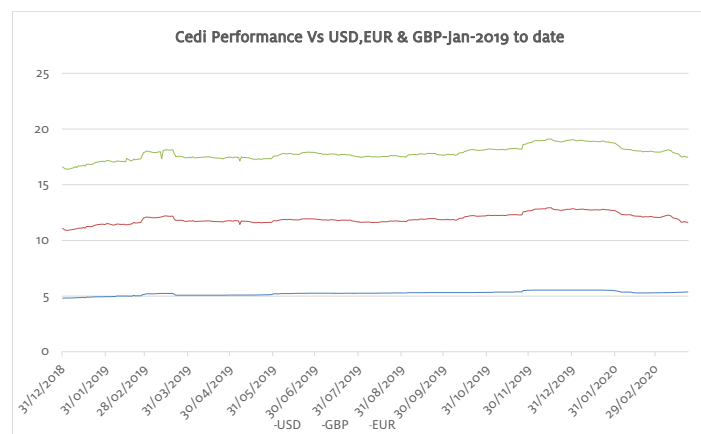
- We therefore expect the rand to remain under pressure in the coming week.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.1741	5.66	1.0707	3.71
Europe	0.9340	(3.58)	1.0986	2.20	1.0000	0.00
UK	0.8517	(5.36)	1.0000	0.00	0.9098	(1.93)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.3603	(0.61)	6.3249	5.45	5.8602	0.00
Nigeria	360.5000	(14.99)	425.3900	(9.86)	387.2130	(11.67)
Kenya	105.0970	(2.54)	122.0420	6.23	113.4440	1.45
BCEAO*	608.7500	(3.57)	715.2500	3.11	655.9600	0.00
S. Africa	17.1939	(5.08)	20.3988	0.86	18.5402	(1.51)

Sources: GCB Bank, Central bank website



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