

WEEKLY CURRENCY REPORT



Date Issued | 26th May, 2020



GLOBAL FX MARKET

USD: The U.S. dollar fell to a more than two-week low against the euro as the common currency enjoyed a boost from the recently announced proposal for a common fund that could move Europe closer to a fiscal union as it tries to counter the economic hit from the coronavirus pandemic. Verses the pound, the greenback edged lower as clouds lingered over the pound after UK inflation fell below 1% to its lowest in nearly four years. The dollar dipped by 0.53% and 0.97% against the pound and the euro respectively. We expect the dollar to rebound, aided by safe-haven demand as a move by Beijing to impose a new security law on Hong Kong could further strain fast-deteriorating U.S.-China ties.

GBP: Sterling edged up against the U.S. dollar but fell versus the euro on Friday as the drop in inflation fuelled speculation that the Bank of England (BoE) would cut interest rates below zero to bolster an economy hammered by the coronavirus pandemic. The pound fell after the release of the data. The pound inched up by 0.53% against the dollar while it dipped by 0.12% against the euro. We therefore expect the pound to remain stable as the BoE scrutinizes the experience of other central banks with negative interest rates, while it observes Britain's economic responds to rate cuts it has already made.

EUR: The euro was up against the dollar and the pound as the common currency enjoyed a boost from the recently announced proposal for a common fund that could move Europe closer to a fiscal union while it tries to counter the economic hit from the coronavirus pandemic. The euro improved by 0.98% and 0.93% against the dollar and the pound respectively. In the week ahead, we expect the euro to remain stable as France and Germany have proposed a 500 billion euro (\$543 billion) Recovery Fund to offer grants to regions and sectors hit hardest by the coronavirus crisis and to allow borrowing by the European Commission on behalf of the entire EU.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.61 USD1; GHS: 6.84 GBP1; GHS: 6.12 EUR1

- In the just ended week, the Ghana cedi dipped against all tracked currencies in our basket. Against the dollar, the local unit declined by 0.05%. Similarly, against the pound and the Euro, it depreciated by 0.58% and 0.75% respectively.

- Slow decline in optimism about Ghana's economic recovery from the COVID-19 pandemic supported riskier currencies, causing a diversification of investments into hard currencies.

- Increase in demand for FX in the market as a result of increase in marketing activities also weighed on the performance of the cedi against the foreign currencies.

- Less exportation due to the closure of borders also continued to weigh on the cedi as a result of decline in forex inflows.

- Steady growth in oil prices resulting in improved oil earnings cushioned the magnitude of depreciation of the cedi against the dollar.

- FX auction and regular intervention from the Bank of Ghana also provided minimal support for the local unit.

- In the week ahead, we expect the cedi to remain under slight pressure due to China-U.S. tensions.

SOUTH AFRICA: ZAR: 17.82 USD1; ZAR: 21.70 GBP1; ZAR: 19.43: EUR1

- In the week under review, the rand appreciated against the dollar and the euro while it edged up against the pound. Against the dollar and the euro, the rand increased by 3.73% and 3.17% respectively. Against the pound, it advanced by 2.81%.

- South Africa's rand raced to its highest in more than eight weeks against the U.S. dollar, as optimism about a global recovery from the COVID-19 pandemic boosted riskier assets, with investors looking past Sino-U.S. trade tensions.

- The South African currency remained a near two-month high following another rate cut by the country's central bank.

- The rand inched up as investors cheered the aggressive action from the usually conservative central bank, even as the rate cut reduced the return on the currency, but a worsening of U.S.-China tensions capped those gains.

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

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

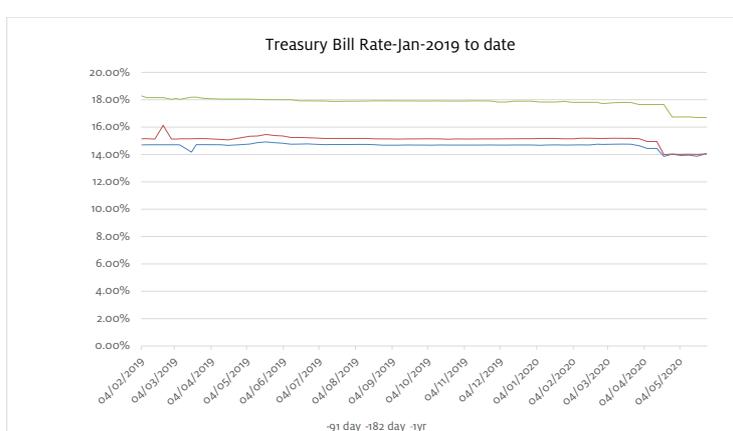
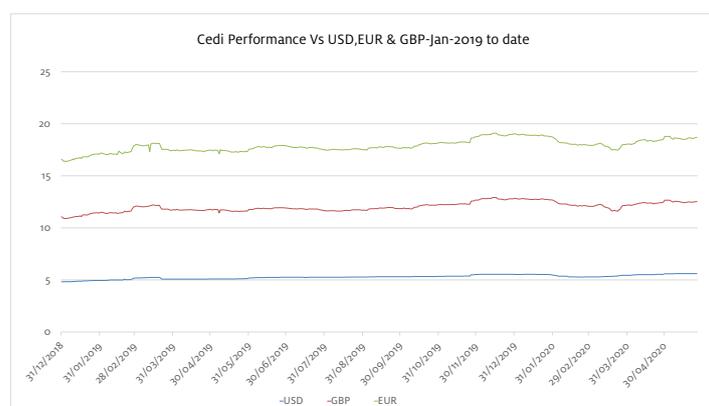
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2190	(0.53)	1.0904	(0.97)
Europe	0.9171	0.98	1.1165	0.93	1.0000	0.00
UK	0.8203	0.53	1.0000	0.00	0.8933	(0.12)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6153	(0.05)	6.8417	(0.58)	6.1160	(0.75)
Nigeria	360.5000	0.00	438.9810	(0.16)	393.1250	(0.76)
Kenya	106.9690	0.06	130.7970	(0.34)	117.5490	(1.60)
BCEAO*	601.0000	0.83	732.0000	0.27	655.9600	0.00
S. Africa	17.8171	3.73	21.7048	3.17	19.4394	2.81

Sources: GCB Bank, Central bank website



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