

# WEEKLY CURRENCY REPORT

Date Issued | 27th January, 2020



## GLOBAL FX MARKET

**USD:** The U.S. dollar slipped against the pound but inched up against the euro on Friday as some investors are forecasting an interest rate cut this week by the FED. The pound was on the bounce against the dollar as business surveys pointed to a post-election rebound in Britain's economy. The dollar's appeal as a safe haven helped boost it near an eight-week high against the euro on Friday. The move was aided by lukewarm European PMI data that added to the broader market conviction that European central bank policymakers will maintain a loose monetary policy for the near future. The dollar dipped by 0.29% against the pound whilst against the euro, it edged up by 0.66%. In the week ahead, we expect the dollar to rebound as investors await the Federal Reserve's decision on interest rate and the final quarter GDP data, all to be released within the week.

**GBP:** The pound extended gains to end the week, building on the one-month high it reached against the euro in the previous week, as data for the week under review reduced market expectations of a central bank rate cut as early as next week. Data this week showed the Confederation of British Industry reporting a pick-up in manufacturers' sentiment, while jobs data on Tuesday showed the British economy created jobs at its strongest rate in nearly a year in the three months to November. Against the U.S. dollar and the euro, the pound edged up by 0.29% and 0.93% respectively. In the week ahead, the pound is expected to remain steady ahead of a key Bank of England interest-rate decision on Thursday 30th January, 2020.

**EUR:** The Euro was the worst performing major currency last week as investors appeared to favour higher-yielding and safe-haven assets over lower-yielding or riskier alternatives. Against the dollar and the pound, the euro dipped by 0.66% and 0.93% respectively. In the week ahead, we expect the euro to retreat ahead of interest rate decisions from the Federal Reserve and Bank of England that will surely impact trading in the Pound and Dollar.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA:** GHS: 5.53USD1; GHS: 7.22GBP1; GHS: 6.09EUR1

- In the just ended week, the Ghana cedi inched up against the dollar and the euro whilst against the pound, the local unit dipped to end the week. Against the dollar and the euro, the cedi inched up by 0.14% and 0.77% respectively whilst against the pound, the local unit was down by 0.21%.
- The sale of 3-year bond by the Central bank last week contributed significantly to support the local unit with substantial offshore participation bolstering risk appetite for the cedi within the week.
- Regular intervention by BoG in the FX market was seen throughout the week and contributed to keep the cedi firm in the market.
- The anticipated 2020 Eurobond issuance where the government seeks to raise about \$3bn from the international market is likely to have positive impacts for the local unit.
- We therefore expect the local unit to remain firm in this week.

**SOUTH AFRICA:** ZAR: 14.36 USD1; ZAR: 18.85 GBP1; ZAR: 15.89: EUR1

- In the week under review, the rand dipped against the pound but inched up against the dollar and the euro. Against the pound, the rand was down by 0.29% whilst against the dollar and the euro, it went up by 0.07% and 0.74% respectively.
- The South African rand was flat on Friday, as global markets steadied after the World Health Organization said a new coronavirus was an emergency for China but not an epidemic of international concern.
- The rand had tumbled as investor fears that the coronavirus could spread boosted safe-haven currencies and dented demand for riskier emerging market units.
- Also, a weak growth outlook for the South African economy has sapped demand for rand assets, after the International Monetary Fund and South African Reserve Bank downgraded their growth predictions.
- In the week ahead, we expect the rand to remain steady as investors await the Fed interest rate decision.

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

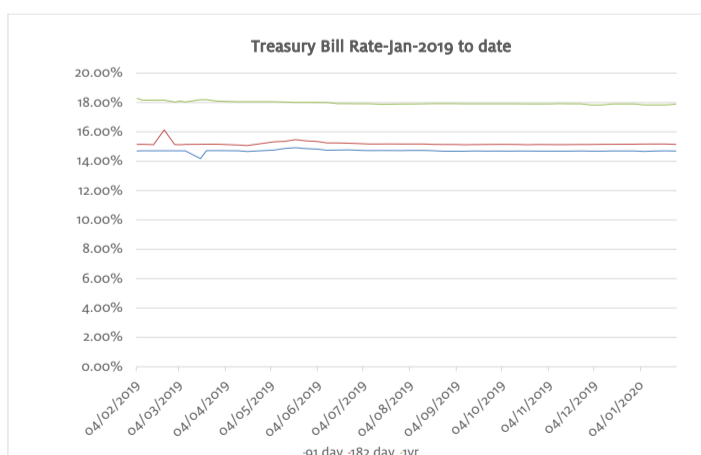
| REGION | US\$   | Wkly (%Δ) | £      | Wkly (%Δ) | €      | Wkly (%Δ) |
|--------|--------|-----------|--------|-----------|--------|-----------|
| USA    | 1.0000 | 0.00      | 1.3067 | (0.29)    | 1.1035 | 0.66      |
| Europe | 0.9062 | (0.66)    | 1.1861 | (0.93)    | 1.0000 | 0.00      |
| UK     | 0.7653 | 0.29      | 1.0000 | 0.00      | 0.8437 | 0.93      |

Sources: GCB Bank, Central bank websites

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

| COUNTRY   | US\$     | Wkly (%Δ) | £        | Wkly (%Δ) | €        | Wkly (%Δ) |
|-----------|----------|-----------|----------|-----------|----------|-----------|
| Ghana     | 5.5267   | 0.14      | 7.2234   | (0.21)    | 6.0932   | 0.77      |
| Nigeria   | 306.4500 | (0.02)    | 400.9590 | (0.36)    | 338.1370 | 0.70      |
| Kenya     | 100.8550 | 0.52      | 132.3910 | (0.39)    | 111.8700 | 0.74      |
| BCEAO*    | 594.0000 | (0.84)    | 779.2500 | (1.15)    | 655.9600 | 0.00      |
| S. Africa | 14.3600  | 0.07      | 18.8510  | (0.29)    | 15.8850  | 0.74      |

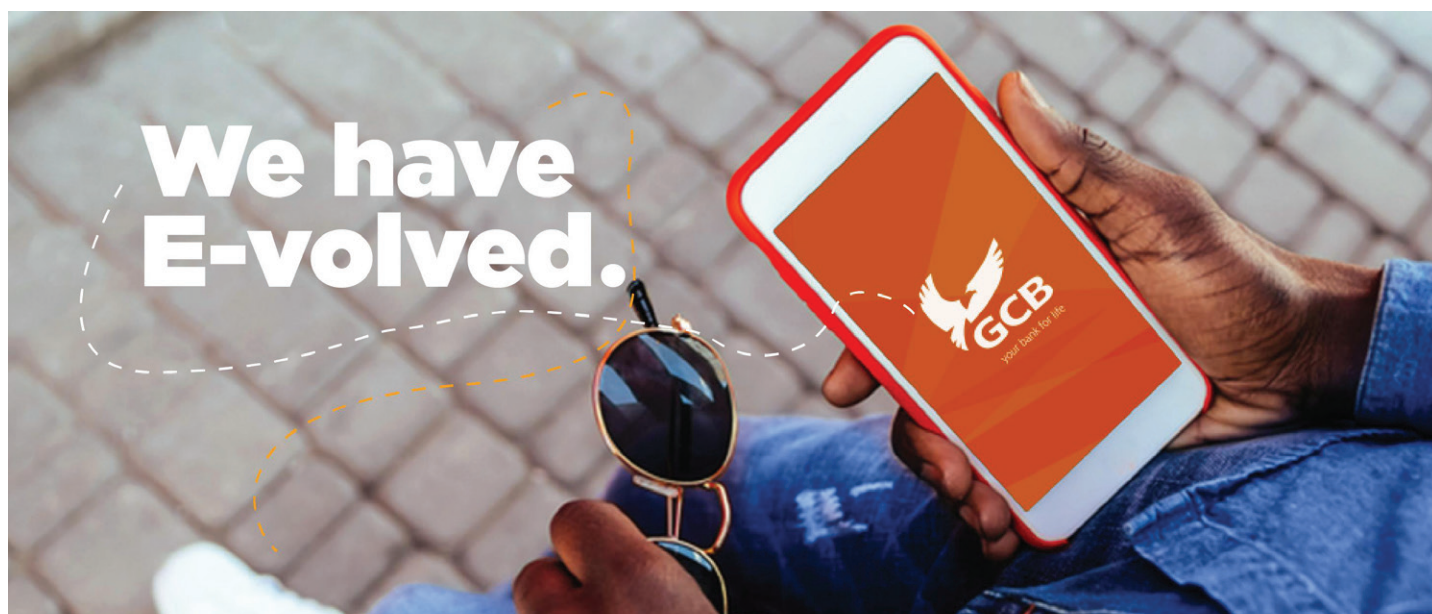
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