

WEEKLY CURRENCY REPORT



Date Issued | 4th January, 2021



GLOBAL FX MARKET

USD: The dollar posted its biggest yearly loss since 2017 on Thursday (31/12/2020), capping off a manic year that saw the currency serve as a safe haven in March when panic over the spread of COVID-19 in the United States peaked, before dropping on unprecedented Federal Reserve stimulus. The dollar declined by 0.66% and 0.64% against the pound and the euro respectively in the week under review. We expect the dollar to depreciate further on the back of rock-bottom U.S. interest rates as well as ongoing Fed bond purchases continue to dent the dollar's appeal.

GBP: The pound extended gains against the dollar on Thursday (31/12/2020), dipping versus the euro after news that trading platforms in the European Union can be used by UK market participants for up to three more months to avoid disruption to swaps trading. The pound advanced by 0.66% against the dollar while it dropped by 0.04% against the euro. We expect the pound to come under minimal pressure as the Brexit trade deal agreed on Christmas Eve set rules for industries such as fishing and agriculture, however, it did not cover Britain's finance sector, leading to fears that swaps trading worth \$200 billion could be disrupted this week.

EUR: The euro posted more than two-year highs against the struggling greenback on Thursday (31/12/2020) as investors bet on more U.S. fiscal support and positioned for year-end in light trading volume. The pound also weakened against euro as warnings of tighter UK lockdown measures outweighed the relief over the last-minute Brexit trade deal. The euro strengthened by 0.64% and 0.12% against the dollar and pound respectively. The week ahead, we expect the euro to remain steady as investors are betting that an improving economic outlook on COVID-19 vaccines roll out and unprecedented fiscal and monetary stimulus will boost global growth and asset prices in 2021.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.76 USD1; GHS: 7.87 GBP1; GHS: 7.06 EUR1

- In the just ended week, the Ghana cedi depreciated against all the tracked currencies in our basket. The cedi fell by 0.49% and 1.28% against the dollar and the pound respectively. Against the euro, it also went down by 1.07%.

- The cedi dipped as surging coronavirus cases undermined bullish sentiment at the beginning of the New Year across global markets and pushed investors into riskier currencies, such as the dollar, the pound and the euro.

- The local unit was also weighed down by improved Britain's trade deal with the European Union which set rules for fishing, agriculture and other industries.

- Regular intervention by the Bank of Ghana through its FX auctions, strong reserve position, improved regulatory oversight and keeping the policy rate stable also supported the cedi.

- Looking ahead, we predict the cedi to end the week lower due to continuous support from Bank of Ghana's forex forward auction.

SOUTH AFRICA: ZAR: 14.62 USD1; ZAR: 19.98 GBP1; ZAR: 17.99: EUR1

- In the week under review, the rand depreciated against all the tracked currencies in our basket. The rand was down by 0.20% against the dollar. Also, it dropped by 0.81% and 0.97% against the pound and the euro respectively.

- South Africa's rand slipped as the impact of a stricter lockdown in South Africa announced by President Cyril Ramaphosa weighed on the currency and the stock market locally.

- South Africa tightened COVID-19 restrictions, banning alcohol sales and extending a nationwide curfew, as infections passed a million.

- South Africa reported a record 17,710 daily increase in coronavirus infections on Wednesday, surpassing the previous high of about 14,500 set several days ago, owing to the new variant, which is said to be more contagious.

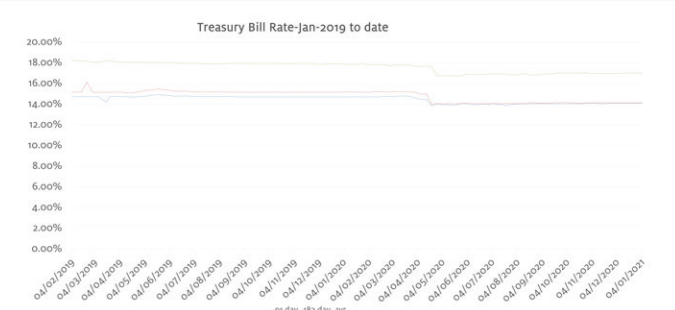
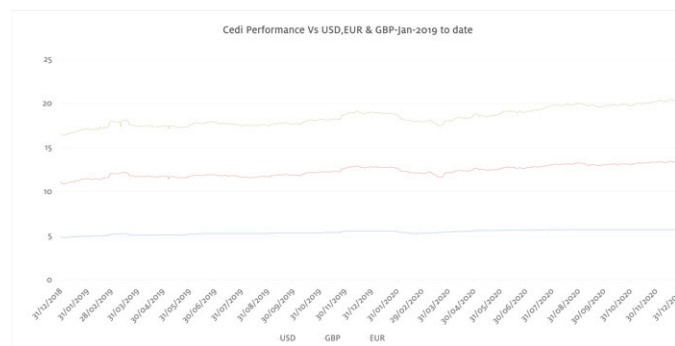
- In the week ahead, we expect the rand to trade low on the news of a possible COVAX vaccine by the second quarter of 2021.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3649	(0.66)	1.2271	(0.64)
Europe	0.8149	0.64	1.1123	0.12	1.0000	0.00
UK	0.7327	0.66	1.0000	0.00	0.8994	(0.04)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7602	(0.49)	7.8742	(1.28)	7.0643	(1.07)
Nigeria	379.5000	0.00	518.0180	(0.45)	465.8740	(0.67)
Kenya	109.1720	(0.35)	147.2130	(0.20)	133.8950	(0.93)
BCEAO*	534.0000	0.61	723.2500	0.86	655.9600	0.00
S. Africa	14.6246	(0.20)	19.9801	(0.81)	17.9897	(0.97)

Sources: GCB Bank, Central bank website



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**Scrolling?
Pause and
sanitize.**

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