

WEEKLY CURRENCY REPORT



Date Issued | 5th October, 2020



GLOBAL FX MARKET

USD: The dollar fell against the euro and the pound in choppy trading on Friday (02/10/2020) as risk sentiment improved on renewed hopes for another stimulus package that could help ease the economic pain of the coronavirus induced recession. Overall, the dollar posted its worst quarter since September 2017, with a fall of about 3.5% as expectations for a swift recovery from the COVID-19 economic crash made investors exit safe havens and buy into riskier currencies. The dollar edged lower by 1.76% and 0.82% against the pound and the euro respectively. We therefore expect the dollar to rebound as hopes for U.S. fiscal stimulus cheered investors and spurred them to seek higher-yielding but riskier currencies.

GBP: The sterling rose on Friday (02/10/2020), after German Chancellor Angela Merkel said she had no breakthrough to announce from EU talks with Britain but remained optimistic that a deal on their post-Brexit trade relationship was still possible before year-end. Both British Prime Minister Boris Johnson and the European Union have set a mid-October goal for reaching a trade agreement, but the EU's chief Brexit negotiator Michel Barnier suggested talks would continue up until the end of the month. The pound inched up by 1.79% and 0.79% against the dollar and the euro respectively. We expect the pound to remain steady as Britain and the EU draw closer to the end of the last scheduled round of trade talks before the bloc's leaders assess progress on Oct. 15-16, 2020.

EUR: The euro fell on Friday (02/10/2020) against the pound but was up against the dollar. The single currency was up against the dollar after President Trump announced he contracted coronavirus. The euro appreciated by 0.83% against the dollar whereas it depreciated by 0.06% against the pound. The main outlook for the coming week will be risk-related sentiment, centered on a US stimulus bill and a post-Brexit trade deal. We therefore expect the euro to remain under pressure in the coming week as European Central Bank President Christine Lagarde speaks out against the Euro within the week.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.70 USD₁; GHS: 7.38 GBP₁; GHS: 6.68 EUR₁

- In the just ended week, the Ghana cedi declined further against the dollar, the pound and the euro. The cedi dipped by 0.02% against the dollar while it also decreased by 1.85% and 0.87% against the pound and the euro respectively.

- The cedi ended lower against all tracked currencies, as less hopes for possible fiscal stimulus cheered investors and spurred them to seek higher-yielding but riskier currencies.

- The local unit mitigated its loss on Friday (02/10/2020) as investors remained optimistic after the Central Bank's maintained policy rate of 14.50%.

- Meanwhile, worries abounded that the economic recovery is stalling as many stimulus programs have expired, curbing consumer spending and weighing on the cedi's performance.

- FX auction and regulation by the Central Bank was not enough to cushion the cedi from falling.

- In the week ahead, we expect the cedi to remain under pressure as investors worry about a slowing economic recovery, rising coronavirus infections, uncertainty about stimulus and the upcoming elections.

SOUTH AFRICA: ZAR: 16.86 USD₁; ZAR: 21.58 GBP₁; ZAR: 19.56: EUR₁

- In the week under review, the rand declined against the pound but improved against the dollar and the euro to end the week.

The rand rose by 1.04% and 0.48% against the dollar and the euro respectively. Against the pound, it dropped by 0.23%.

- The rand was up, extending gains into a second week, as a survey of the country's private sector activity showed a softer decline in September on easing lockdown restrictions.

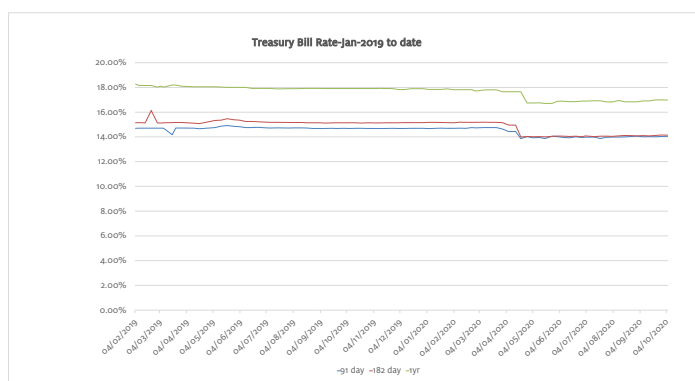
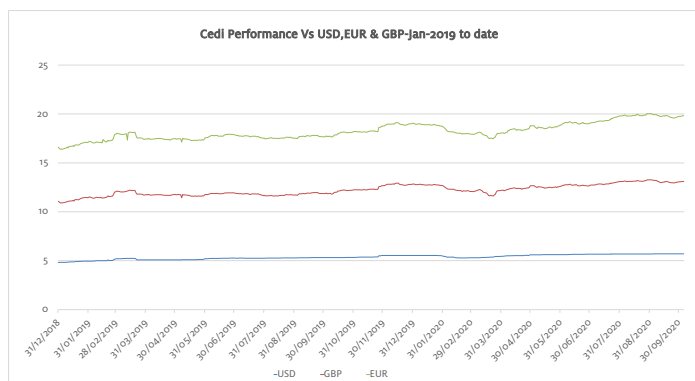
- The South African rand also edged up as Government bonds also firmed, with the yield on the benchmark instrument due in 2030 down 3.5 basis points at 9.41%.

- We therefore expect the rand to remain stable in the coming week with the South African rand firming more than 1% as signs of progress in new U.S. fiscal stimulus measures dulled the dollar's appeal.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2932	-1.76	1.1730	-0.82
Europe	0.8525	0.83	1.1029	-0.06	1.0000	0.00
UK	0.7733	1.79	1.0000	0.00	0.9059	0.79

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7029	-0.02	7.3776	-1.85	6.6832	-0.87
Nigeria	379.5000	0.00	491.1110	-1.60	445.1920	-0.84
Kenya	108.4850	-0.01	139.3070	-0.66	127.4100	-0.72
BCEAO*	559.5000	0.45	722.2500	-0.52	655.9600	0.00
S. Africa	16.8591	1.04	21.5762	-0.23	19.5580	0.48



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Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

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