

# WEEKLY CURRENCY REPORT



Date Issued | 6th July, 2020



## GLOBAL FX MARKET

**USD:** The dollar was set for its biggest weekly fall on Friday since the start of June, as a sentiment boost from better-than-expected jobs data in the United States was tempered by surging coronavirus cases. A steady rise of new coronavirus infections in the United States has discouraged some investors from taking big positions in the currency market where traders have been balancing hopes for an economic recovery. The dollar dipped by 1.19% and 0.10% against the euro and the pound respectively. We expect the dollar to rebound as investors await data expected to show the U.S. services sector performance, in what would give further hope to an economic recovery from the coronavirus pandemic.

**GBP:** The sterling headed for its first positive week in four weeks against the dollar and the euro on Friday, as a week of negotiations between Britain and the European Union ended prematurely, with meetings expected to resume next week. Brexit talks last week between Britain and the EU ended early on Thursday (02/07/2020), with a meeting between the chief negotiators on Friday (03/07/2020) cancelled. The pound edged up by 1.20% and 0.86% against the dollar and the euro respectively. We therefore expect the pound to come under pressure as traders look ahead to this month's Brexit negotiations and more government support measures expected later this week.

**EUR:** The Euro edged higher last week against the dollar whereas it dipped against the pound. The Euro underperformed against the pound when it became clear China had passed and was imposing a controversial national security law on Hong Kong that is believed to violate the 'one country, two systems' model for governing the city. The euro improved marginally by 0.10% against the dollar whereas it weakened by 0.50% against the pound. We therefore expect the euro to remain steady as Germany, the euro zone's largest economy, is scheduled to release industrial orders for May and Retail sales for all of the Eurozone on Monday (06/07/2020).

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.67 USD1; GHS: 7.07 GBP1; GHS: 6.37 EUR1**

- In the just ended week, the Ghana cedi declined further against all tracked currencies in our basket. The local unit dropped by 0.01% against the dollar. Against the pound and the Euro, it also depreciated by 1.12% and 0.31% respectively.

- The cedi has been locked into narrow trading ranges recently as concerns about a resurgence in coronavirus infections offset growing optimism about the economy.

- The local unit continued to be driven down by an improved pound and the euro as investors assessed the probability of Britain signing a trade deal with the European Union by the end of the year.

- The cedi also came under pressure against the dollar which serves as a safe-haven appeal, as investors worry about the president's declaration of a 14 days isolation necessity.

- The Central bank's regular intervention in the FX market through regulations and FX auction also helped reduced the level of depreciation.

- Improvement in the price of oil also cushioned the performance of the cedi due to high FX inflow from oil exportation.

- In the week ahead, we expect the cedi to rebound as Ghana's financial intermediaries are expected to receive \$250m from the World Bank, though the currency's outlook remains upbeat given renewed risks posed by the novel coronavirus.

**SOUTH AFRICA: ZAR: 17.23 USD1; ZAR: 21.38 GBP1; ZAR: 19.34: EUR1**

- In the week under review, the rand improved against all tracked currencies in our basket. Against the dollar and the pound, the rand advanced by 1.55% and 1.13% respectively. Against the euro, it also went up by 1.47%.

- South Africa's rand gained on Friday, as the dollar was dragged down by a steady rise of coronavirus infections in the United States.

- Rising coronavirus infections in the United States have discouraged some investors from taking big positions in the currency market, but most remain focused on the growing likelihood that major economies will continue to recover.

- On Thursday (02/07/2020), data from the central bank showed a 1.3% of gross domestic product (GDP) surplus on the current account, which has long been a sore spot for Africa's most industrialized economy.

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

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

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2468	(1.19)	1.1224	(0.10)
Europe	0.8909	0.10	1.1096	(0.50)	1.0000	0.00
UK	0.8021	1.20	1.0000	0.00	0.9016	0.86

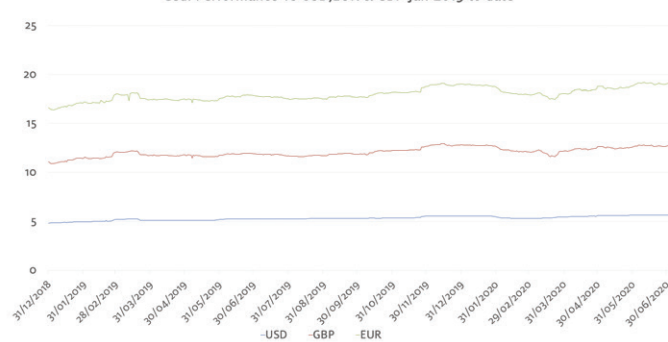
Sources: GCB Bank, Central bank websites

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

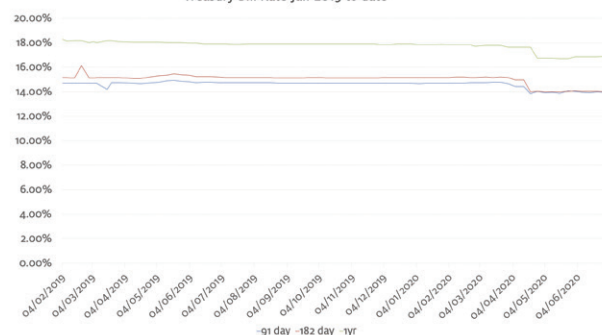
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6682	(0.01)	7.0663	(1.12)	6.3723	(0.31)
Nigeria	360.5000	0.00	449.0030	(0.51)	404.7330	(0.14)
Kenya	106.6660	(0.15)	133.3140	-0.56	120.2820	(0.20)
BCEAO*	584.0000	0.13	728.0000	(0.34)	655.9600	0.00
S. Africa	16.9659	1.55	21.1404	1.13	19.0629	1.47

Sources: GCB Bank, Central bank website

Cedi Performance Vs USD, EUR & GBP-Jan-2019 to date



Treasury Bill Rate-Jan-2019 to date



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### Research Contacts

Lawson Oppong-Asante  
Email: [loppong-asante@gcb.com.gh](mailto:loppong-asante@gcb.com.gh)  
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong  
Email: [aofrimpong@gcb.com.gh](mailto:aofrimpong@gcb.com.gh)  
Tel: 0302 66 4910 -18

Michael Bedjrah  
Email: [mbedjrah@gcb.com.gh](mailto:mbedjrah@gcb.com.gh)  
Tel: 0302 66 4910 -18

### Treasury & Sales Contacts

Anthony Asare  
Email: [akasare@gcb.com.gh](mailto:akasare@gcb.com.gh)  
Tel: 0302 611 762

Daniel Boateng  
Email: [daboateng@gcb.com.gh](mailto:daboateng@gcb.com.gh)

### Head Office:

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

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