

# WEEKLY CURRENCY REPORT



Date Issued | 7th September, 2020



## GLOBAL FX MARKET

**USD:** The dollar dipped against the pound, retracing gains made on safe-haven demand following a Labor Department report that job growth slowed further in August, threatening the economy's recovery from the COVID-19 pandemic. Employment slowed and permanent job losses increased as programs to help businesses pay wages have lapsed or are on the verge of ending. The dollar fell by 0.08% against the pound but gained 0.62% against the euro. We expect the dollar to witness a downward trajectory due to the outlook of the Fed's monetary policy with focus on the upcoming ECB meeting this week.

**GBP:** The pound was on course to end the week edging up against the euro and the dollar amidst a rout in investor sentiment. Pressure has also come from Brexit-related uncertainty and warnings from the Bank of England that the economic fallout from the coronavirus could be worse than expected. However, the pound advanced by 0.08% and 0.08% against the dollar and the euro respectively. We expect the pound to come under slight pressure as year-end approaches while hits by Brexit uncertainty and fears surrounding the coronavirus pandemic keeps weighing on its performance.

**EUR:** The euro was lower against the dollar and the pound on Friday (4/09/2020), having retraced all of the gains it made since Fed Chair Jerome Powell's speech. The euro has been on the rise since last week when the Federal Reserve announced it would tolerate periods of higher inflation and focus more on employment. The euro ended as the worst performer, dipping by 0.61% and 0.16% against the dollar and the pound respectively. We therefore expect the euro to rebound ahead of this week's ECB policy meeting, weighed by reports that policymakers are worried about the currency's recent rise.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.69 USD<sup>1</sup>; GHS: 7.52 GBP<sup>1</sup>; GHS: 6.71 EUR<sup>1</sup>**

- In the just ended week, the Ghana cedi declined against the dollar but held firm against the pound and the euro respectively. The cedi went down by 0.16% against the dollar while it inched up by 0.86% and 0.79% against the pound and the euro respectively.

- The local unit extended its falls against the dollar on Friday (04/09/2020), hit by a stronger dollar, bleak economic outlook and upcoming election sentiments.

- To support the cedi, like many of its global peers, the central bank slashed borrowing costs which boosted investor confidence in the economy.

- Continuous intervention and regulation by the Bank of Ghana also helped the cedi to appreciate against the hard currencies.

- In the week ahead, we expect the cedi to come under minimal pressure as election uncertainty keeps traders on the sidelines.

**SOUTH AFRICA: ZAR: 16.65 USD<sup>1</sup>; ZAR: 22.14 GBP<sup>1</sup>; ZAR: 19.72: EUR<sup>1</sup>**

- In the week under review, the rand inched up against all tracked currencies in our basket. The rand rose by 1.13% and 0.98% against the dollar and the euro respectively. Against the pound, it also gained by 1.67%.

- South Africa's rand firmed on Friday (04/09/2020) supported by the lure of higher yields and a slide in the dollar after jobs growth slowed in the United States.

- The greenback was on the back foot after employment growth slowed further in August as financial assistance from the government ran out, threatening the economy's recovery from the COVID 19 recession.

- Locally, a light data release calendar has seen the rand driven mainly by offshore issues. The return of nationwide electricity blackouts last week has kept the unit from making major headways.

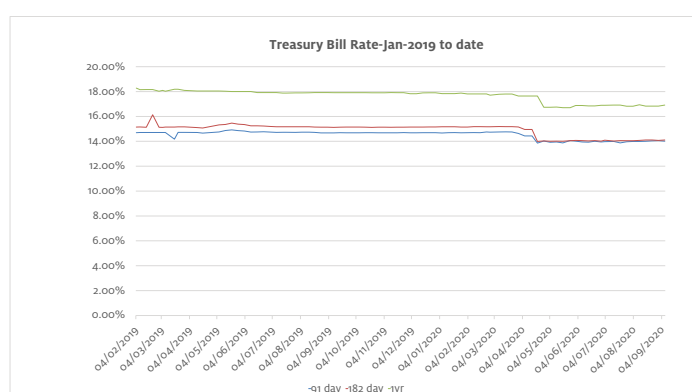
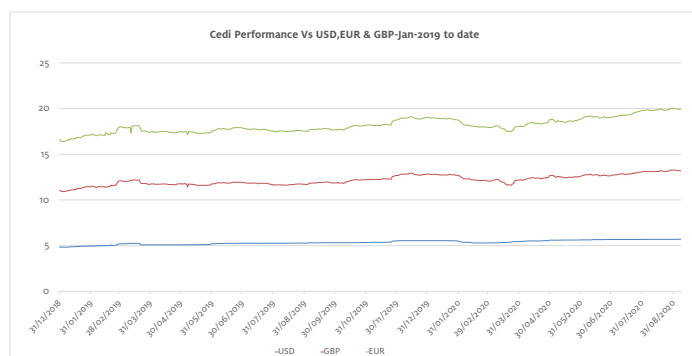
- We therefore expect the rand to remain stable in the coming week as second quarter economic growth data due on Tuesday (08/09/2020) is expected to show a steep contraction.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3199	(0.08)	1.1842	0.62
Europe	0.8445	(0.61)	1.1195	(0.16)	1.0000	0.00
UK	0.7576	0.08	1.0000	0.00	0.8931	0.08

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6941	(0.16)	7.516	0.86	6.7125	0.79
Nigeria	379.5000	0.00	503.3690	0.41	449.5180	0.61
Kenya	108.3220	(0.09)	143.7730	(0.66)	128.1870	(0.26)
BCEAO*	553.5000	(0.32)	735.7500	(0.51)	655.9600	0.00
S. Africa	16.6546	1.13	22.1356	0.98	19.7199	1.67

Sources: GCB Bank, Central bank website



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