

WEEKLY CURRENCY REPORT



Date Issued | 8th February, 2021



GLOBAL FX MARKET

USD: The dollar edged higher across the board on Friday (05/02/2021), extending a rebound from the near three-year low hit last week, taking strength from the recent spike in U.S. Treasury yields and the prospect of a growth boost from U.S. jobs data that showed the economy added 49 thousand jobs in January. U.S. data hints at an economic rebound gathering jobless benefit claims have declined three weeks straight. The dollar improved by 0.03% and 1.28% against the pound and the euro respectively. We expect the dollar to remain stable as market participants will likely remain focused on US stimulus developments, and whether the Democrats will be able to pass President Biden's huge aid-package.

GBP: The pound traded slightly lower on Friday (05/02/2021), amid a stronger dollar on the prospect of a quicker economic recovery in the US on the back of President Biden's \$1.9 trillion fiscal stimulus. Still, the currency remained close to its strongest level since April 2018, helped by optimism surrounding the UK's COVID-19 vaccine rollout and lessening expectations of negative interest rates. The pound declined by 0.03% against the dollar and advanced by 1.01% against the euro. The Pound is predicted to maintain positive momentum against the Euro and Dollar over the coming weeks as the country's vaccination rollout and the end of negative interest rate at the Bank of England last week is likely to prove supportive.

EUR: The euro weakened on Friday (05/02/2021) as demand for the dollar continues to be supported by hopes of a quicker economic recovery in the US. The European Union has several issues out there, not the least of which is their difficulty in rolling out Covid-19 vaccines, which is impacting on the performance of the euro against the major trading currencies. The euro dipped by 1.26% and 0.96% against the dollar and the pound respectively. We expect the euro to trade sideways in the coming week as the second wave of the virus is putting significant pressure on the European economy.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.76 USD¹; GHS: 7.91 GBP¹; GHS: 6.92 EUR¹

- In the just ended week, the Ghana cedi dropped against the pound but gained against the euro. The local unit was flat against the dollar during the week under review. The cedi went up by 1.01% against the euro while against the pound it lost by 0.07%.

- The cedi was sustained last week by the global search for yield by investors unsure of the direction of lending rates in developed economies.

- Ghana has seen slightly more inflows than other emerging markets back into local assets by foreign investors, largely a function of the high yield on offer with the central bank keeping lending rates steady at 14.50%.

- The cedi's performance was also supported by the Bank of Ghana through FX auction and regulation.

- In the week ahead, we expect the cedi to remain stable with the country's positive growth outlook and attractive yields to attract inflows from foreign investors.

SOUTH AFRICA: ZAR: 14.93 USD¹; ZAR: 20.45 GBP¹; ZAR: 17.88: EUR¹

- In the week under review, the rand advanced against all the tracked currencies in our basket. The rand went up by 1.77% and 1.60% against the dollar and the pound respectively. Also, it gained 2.88% against the euro.

- South Africa's rand edged up early on Friday (05/02/2021), supported by talks on a new U.S. stimulus package and progress in local coronavirus vaccine purchases.

- South Africa's rand strengthened clinging on to its previous gains, as global appetite for risk and high yields rose on optimism around vaccine rollouts.

- Sentiment was aided by South Africa kicking off its COVID-19 vaccine rollout this week while easing lockdown restrictions.

- Risk sentiment in emerging markets remains cautiously positive on the back of good U.S. economic data, hopes of Biden's stimulus package getting Senate approval, and a positive outlook from the Bank of England.

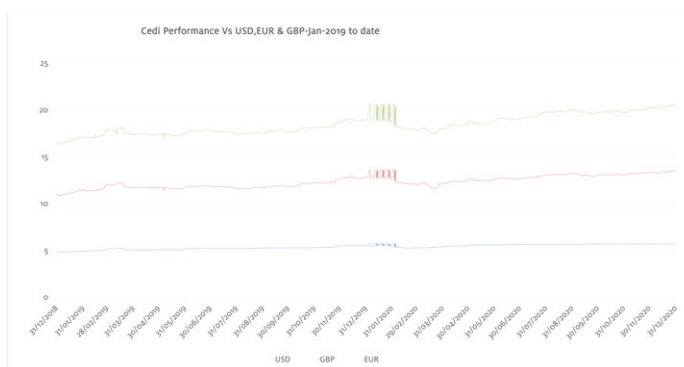
- We therefore expect the rand to remain steady in the coming week as global demand for risk and high yields grows amid optimism around vaccine rollouts.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3724	0.03	1.1983	1.28
Europe	0.8345	-1.26	1.1424	-0.96	1.0000	0.00
UK	0.7287	-0.03	1.0000	0.00	0.8761	1.01

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7605	0.00	7.9052	(0.07)	6.9231	1.01
Nigeria	379.5000	0.00	519.4980	0.20	454.6790	1.25
Kenya	109.8210	0.29	149.7430	0.54	131.6920	1.11
BCEAO*	548.2500	(1.14)	750.0000	(1.00)	655.9600	0.00
S. Africa	14.9266	1.77	20.4509	1.60	17.8783	2.88

Sources: GCB Bank, Central bank website



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Scrolling? Pause and sanitize.

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