

# WEEKLY CURRENCY REPORT



Date Issued | 8th November, 2020



## GLOBAL FX MARKET

**USD:** The dollar plunged on Friday (04/11/2020) to its weakest level in more than 2-1/2 years as signs of progress toward U.S. fiscal stimulus and optimism about COVID-19 vaccines kept investors upbeat. Investors have sold safe-haven dollars as risk appetite has been growing on optimism about COVID-19 vaccines, a day after the UK approved Pfizer Inc's vaccine. The dollar edged lower by 0.96% and 1.95% against the pound and the euro respectively. We therefore expect the dollar to remain under pressure on the back of continuous surge in coronavirus cases in US and possible new COVID-19 U.S. stimulus deal.

**GBP:** The British pound climbed to a one-year high on Friday (04/12/2020) as a U.S. dollar selloff gathered momentum, but growing unease about a Brexit trade deal prompted investors to take protective action in the derivative markets. European Union negotiators have moved to the limits of their negotiating mandate on Brexit trade talks and therefore it is up to London to compromise if a deal is to be reached. The pound improved by 0.97% against the dollar but declined by 0.65% against the euro. We expect the pound to remain relatively stable on hopes that a Brexit trade deal is still possible with British Prime Minister Boris Johnson who is set to meet European Commission President Ursula von der Leyen in Brussels this Wednesday.

**EUR:** The euro was buoyed by upbeat economic sentiment data from Germany. German investor sentiment soared more than expected in December on expectations that vaccines against the coronavirus would boost the outlook for Europe's largest economy. The Leibniz Centre for European Economic Research (ZEW) said its survey of investors' economic sentiment moved up to 55.0 from 39.0 in the previous month. This helped the euro stay higher to the dollar and the pound by 1.99% and 0.94% respectively. We therefore expect the euro to remain steady as last-ditch trade talks between Britain and the European Union resumed in Brussels and investors re-evaluate the risk of a no-deal Brexit.

## AFRICAN FX MARKET REVIEW AND OUTLOOK

**GHANA: GHS: 5.71 USD1; GHS: 7.71 GBP1; GHS: 6.94 EUR1**

- In the just ended week, the Ghana cedi dropped further against all the tracked currencies in our basket. The cedi weakened by 0.01% and 1.02% against the dollar and the pound respectively. Against the euro, it also went down by 1.68%.

- The cedi slipped against major currencies as investors looked past the surge in coronavirus cases to a possible vaccine to fight the pandemic.

- The local unit was able to lessen its loss against the pound and the euro as European Union and British negotiators paused talks for a post-Brexit trade deal, weighing on sterling and euro.

- The cedi was also weighed down by uncertainty surrounding the December 7, 2020 elections on possible hedging by investors against any qualms on the outcome.

- Intervention by Bank of Ghana through FX auction and regulation also helped to lessen the loss against the hard currencies.

- In the coming week, our expectation is for the cedi to be relatively stable on the back of improved international reserves as the second tranche of the \$1.3 billion cocoa syndicated loan hits BoG accounts.

**SOUTH AFRICA: ZAR: 15.19 USD1; ZAR: 20.44 GBP1; ZAR: 18.48: EUR1**

- In the week under review, the rand depreciated against all the tracked currencies in our basket. The rand was down by 0.01% against the dollar. Also, it went down by 0.73% and 1.97% against the pound and the euro respectively.

- The South African rand slid against most currencies on Friday (04/12/2020) in choppy trading, as investors looked past the surge in coronavirus cases and ahead to a possible new COVID-19, U.S. stimulus deal and vaccines to fight the pandemic.

- South Africa on Thursday (03/12/2020) tightened COVID-19 rules in the Eastern Cape province where infections are rising the most, curbing movement and gatherings, but decided against reinstating a nationwide lockdown.

- In the week ahead, Concerns about a second wave of COVID-19 as well as harsh fiscal austerity plans pose growing headwinds to the economy.

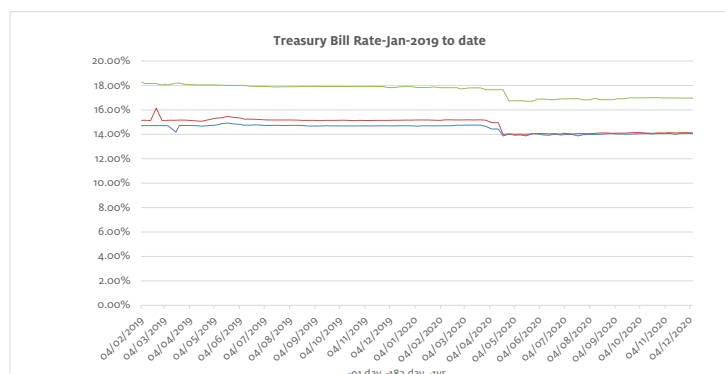
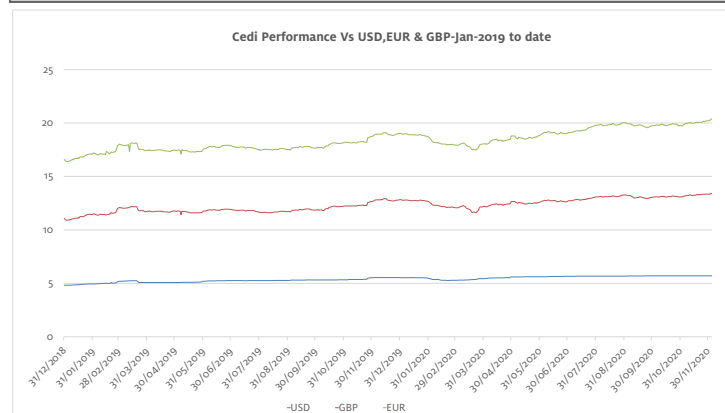
- We expect the rand to remain pressured on the back of South Africa's rising Covid-19 cases. South Africa has the highest number of coronavirus infections on the African continent, with more than 760,000 confirmed cases and more than 20,000 deaths.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3473	(0.96)	1.2159	(1.95)
Europe	0.8224	1.99	1.1076	0.94	1.0000	0.00
UK	0.7422	0.97	1.0000	0.00	0.9011	(0.65)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7142	(0.01)	7.7082	(1.02)	6.9409	(1.68)
Nigeria	379.5000	0.00	510.9970	(1.05)	461.8140	(2.00)
Kenya	110.6690	(0.62)	148.7420	(1.32)	134.4440	(2.63)
BCEAO*	539.5000	1.95	725.7500	1.27	655.9600	0.00
S. Africa	15.1937	(0.01)	20.4416	(0.73)	18.4755	(1.97)

Sources: GCB Bank, Central bank website



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**Scrolling?  
Pause and  
sanitize.**

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