

WEEKLY CURRENCY REPORT



Date Issued | 9th November, 2020



GLOBAL FX MARKET

USD: The dollar sank to its lowest level in over two months against a basket of peer currencies on Friday (06/11/2020) as predicted by most investors, as vote counting for the contentious U.S. elections slowly moved in the direction of a divided government. The dollar weakened by 1.72% and 1.45% against the pound and the euro respectively. We therefore expect the dollar to rebound as investors heralded Biden's election win by buying trade-exposed currencies on expectations that a calmer White House could boost world commerce and that monetary policy will remain calm.

GBP: The pound fell against the euro on Friday (06/11/2020) after the Bank of England increased its already huge bond-buying stimulus by 150 billion pounds and signaled more support ahead. Bank of England Governor Andrew Bailey said the central bank was ready to pump even more money into Britain's economy if the outlook for inflation weakens. The BoE kept its benchmark interest rate unchanged at 0.1% on Thursday (05/11/2020). The pound advanced against the dollar by 1.76% while it dipped by 0.23% against the euro. We expect the pound to remain steady as Democrat Joe Biden's victory in the U.S. presidential elections saw global markets at new highs and riskier currencies gaining while investors focus on a new round of Brexit negotiations.

EUR: The euro was on track for a weekly gain versus the dollar and the pound on Friday (06/11/2020), as traders digested U.S. election results and a fresh splurge of bond buying by the Bank of England. The single currency has risen sharply this week on the dollar's weakness, but has also benefited from news of the European Union inching closer to a budget deal. The euro strengthened by 1.47% and 0.25% against the dollar and the pound respectively. We therefore expect the euro to be firm as the U.S. election outcome casts doubt over the UK's prospect of securing a trade deal with the world's largest economy while raising the stakes in the Brexit talks just as a key deadline draws near.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.71 USD1; GHS: 7.48 GBP1; GHS: 6.77 EUR1

- In the just ended week, the Ghana cedi declined against all the tracked currencies in our basket. The cedi dropped by 0.01% against the dollar. Against the pound and the euro, it also went down by 1.22% and 1.46% respectively.

- The cedi lessened its loss against the dollar as surging stock markets reduced demand for the greenback and as the Federal Reserve kept its loose monetary policy intact.

- The cedi has also remained relatively stable against the dollar for some months now due to huge reserves amounting to US\$8,561.9 million, providing cover for 4.0 months of imports.

- Concern about the terms of Britain's exit from the European Union still weighed on the pound but was not enough to stop the cedi from depreciating against the GBP.

- Intervention by Bank of Ghana through FX auction and regulation also provided support for the local unit.

- In the coming week, we expect the cedi to come under minimal pressure against the dollar as expectations of better global trade ties and more monetary stimulus under U.S. President-elect Joe Biden supports risk appetite.

SOUTH AFRICA: ZAR: 15.73 USD1; ZAR: 20.69 GBP1; ZAR: 18.64: EUR1

- In the week under review, the rand advanced against all the tracked currencies in our basket. The rand went up by 3.75% against the dollar. Also, it increased by 2% and 2.23% against the pound and the euro respectively.

- South Africa's rand rose to a more than one-month high to the dollar as uncertainty over the U.S. elections, as well as a resurgence in global coronavirus cases had seen widespread selling across risk-driven assets in recent weeks.

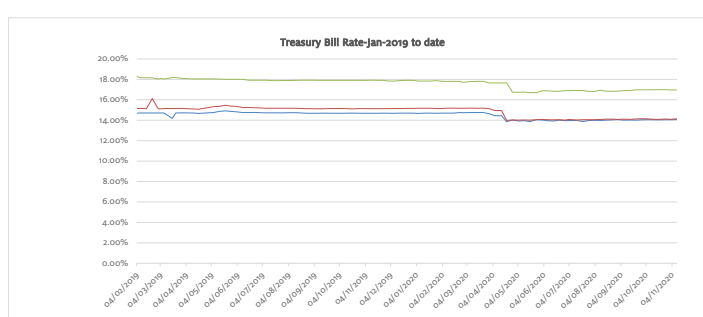
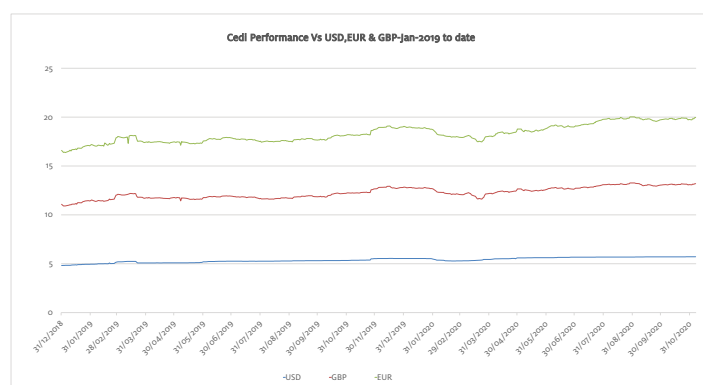
- The rand also got a lift from a fading dollar which was headed for its biggest three-day drop since March ahead of the outcome of a U.S. Federal Reserve policy meeting that might hint at more stimulus.

- In the week ahead, our expectation is for the rand to come under minimal pressure, as global risk appetite is lifted by news of progress in Pfizer's COVID-19 vaccine trials, as well as Democrat Joe Biden's U.S. election win.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3160	(1.72)	1.1698	(1.45)
Europe	0.8425	1.47	1.1058	0.25	1.0000	0.00
UK	0.7599	1.76	1.0000	0.00	0.9026	(0.23)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7107	(0.01)	7.4827	(1.22)	6.7690	(1.46)
Nigeria	379.5000	0.00	498.4350	(1.13)	450.8080	(1.71)
Kenya	108.9060	(0.08)	142.4060	(0.87)	128.8520	(1.23)
BCEAO*	554.2500	0.68	728.0000	(0.27)	655.9600	0.00
S. Africa	15.7343	3.75	20.6907	2.00	18.6365	2.23



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