

WEEKLY CURRENCY REPORT



Date Issued | 10th August, 2020



GLOBAL FX MARKET

USD: The U.S. dollar fell against all tracked currencies in our basket on Friday (07/08/2020) as investors' appetite for risk improved on strong corporate earnings and expectations of more stimulus measures for the pandemic-ravaged global economy. The dollar also extended its losses as it has been pressured in recent weeks by worries about the American economic slide during the coronavirus pandemic. The dollar declined by 0.04% and 0.63% against the pound and the euro respectively. We expect the dollar to be weighed by investor's expectation on negotiations of a relief package between the White House and congressional Democrats.

GBP: The pound rose to a five-month high on Friday (07/08/2020) after the Bank of England struck a less pessimistic tone about the coronavirus-battered British economy. Traders took confidence from the absence of signals that the BoE might introduce negative rates. The pound inched up by 0.04% and 0.10% against the dollar and the euro respectively. We expect the pound to come under minimal pressure as the market will be more focused on headlines surrounding the ongoing Brexit negotiations rather than the monetary policy.

EUR: The euro edged higher last week but pared gains sharply on Friday (07/08/2020) after a better-than-expected jobs report from the U.S. and as the Turkish Lira lifted off lows seen in a ferocious sell-off during a prior session. The euro improved by 0.63% against the dollar but dipped by 0.09% against the pound. We therefore expect the euro to remain stable amid a possible tussle between Turkish authorities and the market as well as various headwinds like Brexit and the impact of coronavirus to risk appetite.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.68 USD¹; GHS: 7.41 GBP¹; GHS: 6.69 EUR¹

- In the just ended week, the Ghana cedi depreciated against the dollar and the pound while it appreciated against the euro. The cedi dropped by 0.03% and 0.03% against the dollar and the pound respectively. Against the euro, it also edged up by 0.07%.

- A deteriorating economic outlook driven by a surge in coronavirus cases across the country continued to weigh on the local unit.
- The cedi improved against the euro because global investors had less confidence in the financial architecture in particular the role of fiscal policy in the European economy.

- Regular intervention by the Bank of Ghana through FX auction and regulation was not enough to support the cedi against the dollar and the pound.

- The cedi fell after the Central bank maintained its monetary policy rate to support the economy and keep interest rates stable until there's a recovery from the fallout from the coronavirus outbreak.

- In the week ahead, we expect the cedi to remain stable with the local unit resuming its role as risk-driven as global market sentiment turned sour after the latest standoff between Washington and Beijing.

SOUTH AFRICA: ZAR: 17.65 USD¹; ZAR: 23.11 GBP¹; ZAR: 20.88: EUR¹

- In the week under review, the rand dipped against all tracked currencies in our basket. The rand dropped by 4.90% and 5.72% against the dollar and the pound respectively. Against the euro, it also fell by 5.53%.

- South Africa's rand traded lower on Friday (07/08/2020), near its lowest in 10 weeks, amid souring emerging market sentiment led by Turkey's currency crisis and increased tension between China and the United States.

- The rand also fell to its lowest as investors' risk appetite dwindled and the dollar found some support after data showed U.S. jobless claims fell slightly in the latest week.

- Fears that economic recovery across major economies are diverging have been playing out in currency markets, with the dollar's two-year supremacy at risk. The rand has failed to benefit from the dollar's decline with investors sitting on the fence.

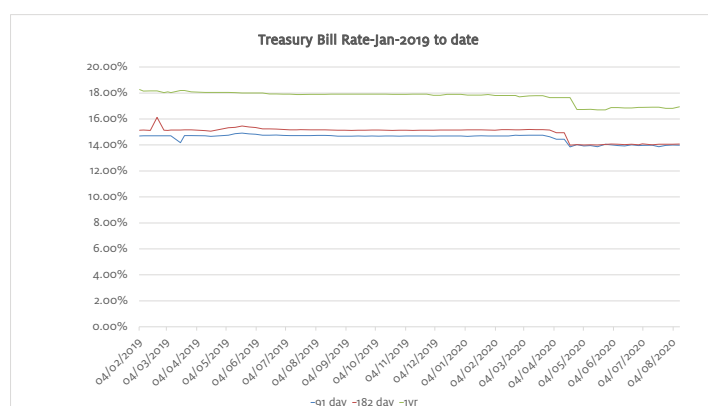
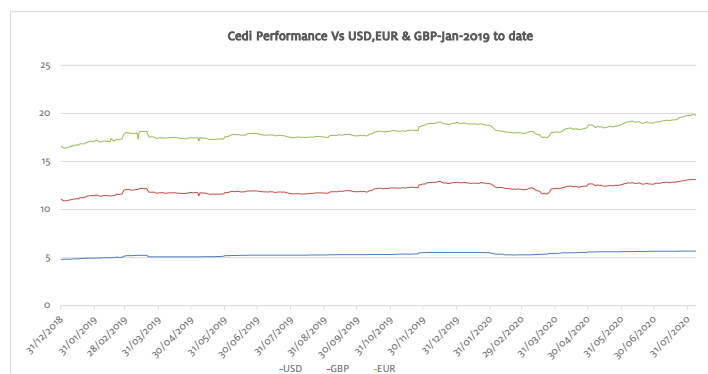
- We therefore expect the rand to stay under minimal pressure this week.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3051	(0.04)	1.1817	(0.63)
Europe	0.8462	0.63	1.1065	(0.09)	1.0000	0.00
UK	0.7662	0.04	1.0000	0.00	0.9030	0.10

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6797	(0.03)	7.4075	(0.03)	6.6894	0.07
Nigeria	379.5000	-5.01	496.2340	(5.82)	448.4170	(5.77)
Kenya	108.0020	-0.27	142.1040	(1.74)	128.0930	(1.33)
BCEAO*	554.0000	0.68	726.5000	(0.41)	655.9600	0.00
S. Africa	17.6467	(4.90)	23.1075	(5.72)	20.8752	(5.53)

Sources: GCB Bank, Central bank website



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