

WEEKLY CURRENCY REPORT



Date Issued | 11th January, 2021



GLOBAL FX MARKET

USD: The dollar turned higher against a basket of major currencies on Friday (08/01/2021) after a dismal December U.S. payrolls raised expectations for further stimulus measures to prop up an economy battered by the coronavirus and its related government lockdown measures. The greenback had been climbing from a nearly three-year low as a rise in U.S. yields helped fuel the unwinding of bearish bets on the currency, with traders taking profits against the euro in particular. The dollar advanced by 0.43% and 0.17% against the pound and the euro respectively. We expect the dollar to soar taking strength from the recent spike in Treasury yields and the prospect of a growth boost from higher U.S. fiscal stimulus.

GBP: The pound weakened against the dollar and euro as warnings of tighter UK lockdown measures outweighed the relief over the last-minute Brexit trade deal. Also speculation about sub-zero benchmark interest rates earlier than expected to counter the economic hit from lockdown weighed on the pound. The pound fell by 0.43% and 0.27% against the dollar and the euro respectively. We expect the pound to remain dented as markets remain cautious on its outlook, with the expected damage to the British economy from a new lockdown announced this week raising expectations that the Bank of England will announce more policy easing.

EUR: The euro gained against a broadly weaker pound on Friday (08/01/2021), making up some of the losses it sustained against the pound as the New Year began. Increased market pricing of negative interest rates from the Bank of England following fresh lockdown measures in Britain to combat the coronavirus hurt the pound. The euro dipped by 0.17% against the dollar but gained 0.25% against the pound. The week ahead, we expect the euro to remain stable as the build-up of rate cut expectations following the third lockdown offsets the positive effect of the UK-EU trade deal.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.76 USD1; GHS: 7.82 GBP1; GHS: 7.05 EUR1

- In the just ended week, the Ghana cedi depreciated against the dollar but improved against the pound and the euro. Against the dollar, the local unit went down by 0.01%. On the other hand, it improved by 0.76% and 0.22% against the pound and the euro respectively.

- The cedi gained against pound due to low demand as Britain grapples with rising cases of COVID-19 and fresh lockdown measures amid the discovery of a new variant of the virus.

- The local unit dropped against the dollar as investors looked at the potential for an economic rebound in upcoming quarters.

- Continuous support by the Central bank through regulation, FX auction and strong reserve position also supported the cedi against the hard notes.

- In the week ahead, we foresee stability of the cedi to end the week due to constant provision by Bank of Ghana's forex forward auction.

SOUTH AFRICA: ZAR: 15.37 USD1; ZAR: 20.85 GBP1; ZAR: 18.79: EUR1

- In the week under review, the rand dropped further against all the tracked currencies in our basket. The rand decreased by 4.83% against the dollar. Also, it lost 4.19% and 4.26% against the pound and the euro respectively.

- South Africa's rand slumped more than 2% against the dollar on Friday (08/01/2021), taking losses since last week to almost 5%, as investor sentiment soured badly on rising COVID-19 infections, a worrying public debt trajectory and the stronger dollar.

- South Africa's health ministry reported more than 21,000 new infections late on Wednesday, taking confirmed COVID-19 cases to date to 1.15 million, the most in Africa. Coronavirus deaths also jumped by more than 800, taking the total to over 31,000.

- Also a possible interest rate cut by the South African Reserve Bank was also hurt the rand.

- In the week ahead, we expect the rand to remain stressed as sentiments soared badly over a new peak in daily coronavirus infections and doubts over its vaccine supplies.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

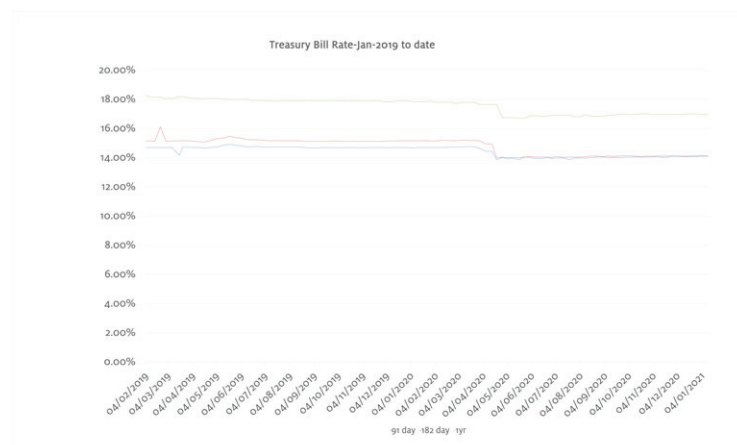
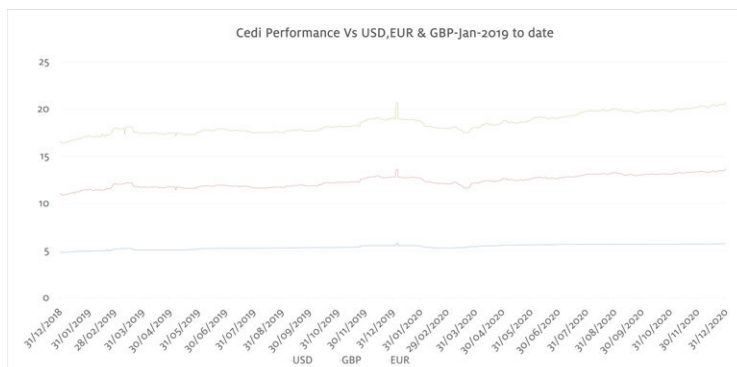
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3590	0.43	1.2250	0.17
Europe	0.8163	(0.17)	1.1095	0.25	1.0000	0.00
UK	0.7358	(0.43)	1.0000	0.00	0.9019	(0.27)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7605	(0.01)	7.8150	0.76	7.0485	0.22
Nigeria	379.5000	0.00	516.1200	0.37	464.9260	0.20
Kenya	109.5500	(0.35)	148.8890	(1.13)	134.2700	(0.28)
BCEAO*	535.0000	(0.19)	726.5000	(0.45)	655.9600	0.00
S. Africa	15.3661	(4.83)	20.8541	(4.19)	18.7897	(4.26)

Sources: GCB Bank, Central bank website



WEEKLY CURRENCY REPORT



Date Issued | 11th January, 2021



Scrolling? Pause and sanitize.

Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.