

WEEKLY CURRENCY REPORT



Date Issued | 14th September, 2020



GLOBAL FX MARKET

USD: The dollar slipped against the euro but inched up against the pound as a wave of Mergers and Acquisitions (M&A) deals lifted the mood in global equity markets and investors looked ahead to an event-packed week which includes a Fed meeting and the appointment of a new Japanese premier. The safe-haven greenback was pressured by improving risk sentiment as U.S. stocks rebounded from a sharp sell-off. The dollar rose by 3.26% against the pound but dipped by 0.10% against the euro. We expect the dollar to remain stable as this week's U.S. Federal Reserve meeting will be its first since Chairman Jerome Powell unveiled a policy shift towards greater tolerance of inflation, effectively pledging to keep interest rates low for longer.

GBP: The pound fell to hit a more than five-month low against the dollar and the euro, weighed down by fears that the UK-EU trade negotiations may fall apart. Britain unveiled draft legislation for post-Brexit life, stoking concern that trade talks with the European Union could be derailed. The no-deal probabilities are on an upward trajectory as reflected in the valuations of sterling. It also raised the possibility of Britain exiting the EU single market in four months with no replacement trade agreement in place. The pound weakened by 3.16% and 3.50% against the dollar and the euro respectively. We expect the pound to remain stable as EU tries to understand what the UK is getting at with the Internal Market Bill and whether it brings risk of backsliding on the Withdrawal Agreement.

EUR: The euro rose for a third straight session against the dollar and the pound on Friday (11/09/2020), with investors encouraged to push it higher after the European Central Bank showed no sign of stemming the single currency's appreciation. At a press conference on Thursday (10/09/2020), ECB President Christine Lagarde said the bank is not targeting exchange rates. She also struck a less dovish tone on the euro zone economy, as the ECB lifted its growth forecast for 2020. The euro inched up by 0.10% and 3.45% against the dollar and the pound respectively. We therefore expect the euro to continue soaring in the coming week as the Brexit saga intensifies.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.70 USD1; GHS: 7.28 GBP1; GHS: 6.74 EUR1

- In the just ended week, the Ghana cedi edged up against the pound but depreciated against the dollar and the euro respectively. The cedi inched up by 3.22% against the pound while it dipped by 0.05% and 0.46% against the dollar and the euro respectively.

- The cedi improved against the pound as investors grew more pessimistic about the chances of a Brexit deal being reached before the December 2020 deadline.

- Decline in oil prices weighed on the local unit as proceeds from oil exportation was not enough to support the cedi against the hard currencies.

- Heightened uncertainty related to upcoming elections and the global recovery from the virus-induced downturn also weighed on the cedi performance.

- The Central bank's periodic intervention through regulations and FX auction also supported the cedi.

- In the week ahead, we expect the cedi to remain pressured as investors adjust to the reality of a heightened inbound election.

SOUTH AFRICA: ZAR: 16.75 USD1; ZAR: 22.49 GBP1; ZAR: 19.84: EUR1

- In the week under review, the rand advanced against the pound while it dropped against the dollar and the euro respectively. The rand went down by 0.59% and 0.60% against the dollar and the euro respectively. Against the pound, it edged up by 3%.

- South Africa's rand advanced on Friday (11/09/2020), shaking off negative news on the economy from earlier in the week and fading hopes of a quick bounce back in global growth, with yield-hungry investors supporting demand for the currency.

- Africa's most advanced economy shrank 51% in the second quarter due to the coronavirus restrictions. Data showed the current account had swung into deficit, and July mining and manufacturing remained in contraction, albeit at a slower pace.

- The South African Reserve Bank will hold its three-day policy meeting from Tuesday (15/09/2020), with its rates decision due on Thursday (17/09/2020).

- We therefore expect the rand to remain steady in the coming week.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

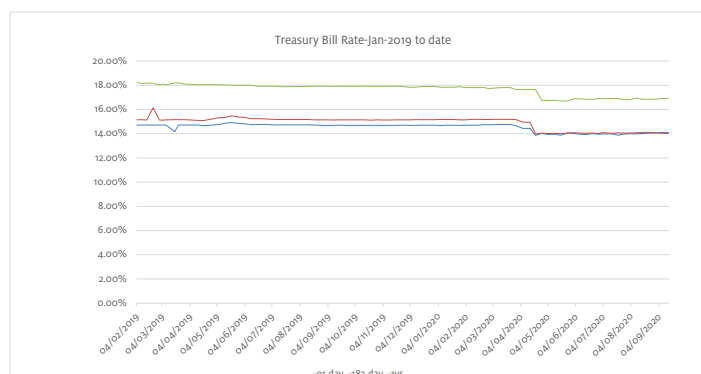
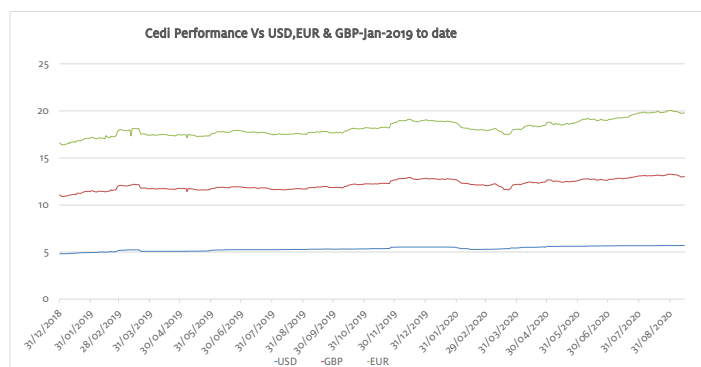
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.278	3.26	1.1854	(0.10)
Europe	0.8436	0.10	1.082	3.45	1.0000	0.00
UK	0.7824	(3.16)	1.0000	0.00	0.9255	(3.50)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6967	(0.05)	7.2818	3.22	6.7437	(0.46)
Nigeria	379.5000	0.00	486.9740	3.37	449.8210	(0.07)
Kenya	108.3970	(0.07)	140.7030	2.18	128.4030	(0.17)
BCEAO*	554.7500	(0.23)	721.7500	1.94	655.9600	0.00
S. Africa	16.6546	1.13	22.1356	0.98	19.7199	1.67

Sources: GCB Bank, Central bank website



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