

WEEKLY CURRENCY REPORT



Date Issued | 15th February, 2021



GLOBAL FX MARKET

USD: The dollar weakened on Friday (12/01/2021), as traders walked away from this safe haven amid optimism about a vaccination-led global recovery and the prospect of more U.S. stimulus. In the absence of significant fundamental drivers, hopes for more government spending and the gradual rollout of vaccines worldwide seems to be making it difficult for the greenback to attract investors. The dollar declined by 0.74% and 1.03% against the pound and the euro respectively. We expect the dollar to rebound as the speedy roll out of vaccines coupled with a fall in infections could prompt investors to bet on the US economy to rebound stronger than expected when it eventually scales back restrictions.

GBP: The pound surged to more than two-year highs against the dollar but dipped against the euro on Friday (12/02/2021), and remained on track for its fifth-weekly win on growing expectations for a strong vaccine-led rebound in the economy ahead of an important week of data that will include clues on monetary policy. The pound advanced by 0.74% against the dollar and dropped by 0.11% against the euro. The UK data highlights of the coming week will be the latest inflation figures on 17/02/2021 and official retail sales figures on 19/02/2021. We therefore expect the pound to be weighed on the direction of these indicators as well as the tightening of containment measures due to the pandemic which could add some downwards pressure to inflation.

EUR: The euro traded slightly higher against the dollar and the pound on Friday (12/02/2021), its strongest level since January 26th, 2021, amid optimism over the global economic recovery as vaccine progress continues. The euro was up by 1.04% and 0.25% against the dollar and the pound respectively. We expect the euro to trade sideways as the European pandemic situation doesn't look quite as optimistic with lockdown recently extended for a month in Germany, the bloc's vaccination program is crawling forward and France is seeing an alarming rise in the prevalence of the more transmissible and deadly variant of Covid-19.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.76 USD₁; GHS: 7.96 GBP₁; GHS: 6.97 EUR₁

- In the just ended week, the Ghana cedi improved against the dollar whereas it declined against the pound and the euro respectively. The local unit gained 0.01% against the dollar. Verses the pound and the euro, the cedi was down by 0.69% and 0.65% respectively.

- The cedi firmed up against the dollar backed by the country's international reserves on the back of foreign investor inflows in the bonds market due to Ghana's favourable nominal rate of returns compared to advances economies.

- Also, divergence views among traders over President Joe Biden's planned \$1.9 trillion fiscal stimulus package also cushioned the cedi against the dollar.

- Periodic intervention by the Central bank through regulation and FX auction also help the cedi mitigate its loss.

- In the week ahead, we expect the cedi to remain stable as traders will continue to monitor the government's next steps to boost Ghana's economy recovery as they wait for the vaccine procurement.

SOUTH AFRICA: ZAR: 14.66 USD₁; ZAR: 20.22 GBP₁; ZAR: 17.75: EUR₁

- In the week under review, the rand strengthened against all the tracked currencies in our basket. The rand was up by 1.81% and 1.14% against the dollar and the pound respectively. Also, it edged up by 0.72% against the euro.

- The rand was supported by US stimulus optimism while better-than-expected fiscal revenue performance ahead of the February budget speech boosted sentiment.

- U.S. President Joe Biden's \$1.9 trillion coronavirus relief bill is expected to pass through Congress with little changes despite opposition from Republicans over the aid's price tag.

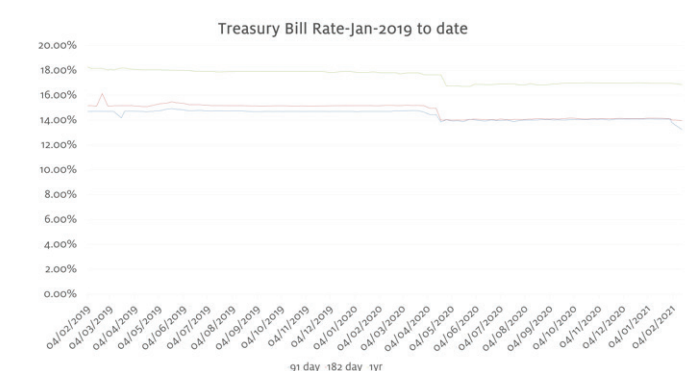
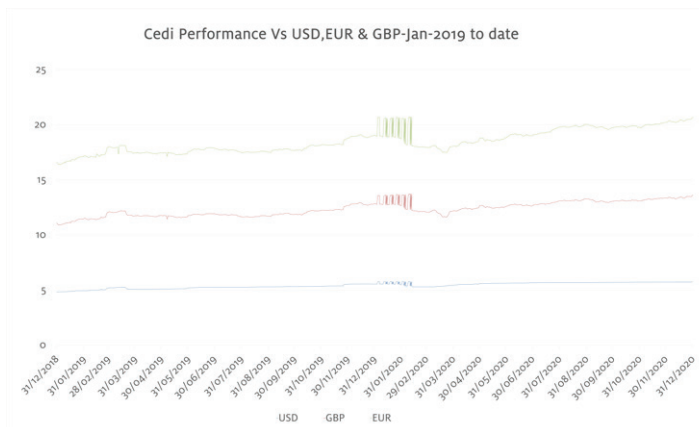
- We continue to expect that a favorable external backdrop, shaped by a policy-led correction in the dollar, will support the risk-sensitive rand in the coming week.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3826	(0.74)	1.2108	(1.03)
Europe	0.8259	1.04	1.1396	0.25	1.0000	0.00
UK	0.7233	0.74	1.0000	0.00	0.8771	(0.11)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7599	0.01	7.9605	(0.69)	6.9685	(0.65)
Nigeria	379.5000	0.00	523.1030	(0.69)	459.5370	(1.06)
Kenya	109.4430	0.35	151.4440	(1.12)	132.7920	(0.83)
BCEAO*	541.0000	1.34	746.5000	0.47	655.9600	0.00
S. Africa	14.6610	1.81	20.2212	1.14	17.7501	0.72

Sources: GCB Bank, Central bank website



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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

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