

WEEKLY CURRENCY REPORT

Date Issued | 17th August, 2020



GLOBAL FX MARKET

USD: The dollar dropped on Friday (14/07/2020), falling for eight straight weeks, as investors looked to other currencies whose economies are currently outperforming that of the United States in terms of managing the coronavirus pandemic. Hopes for additional stimulus to combat the pandemic faded on Friday, with the Senate and House of Representatives in recess and no fresh talks scheduled with U.S. President Donald Trump's negotiators. The dollar dipped by 0.45% against the pound but inched up marginally by 0.03% against the euro. We expect the dollar to rebound as the White House prepares to provide relief for the economic pain caused by the virus.

GBP: The pound rose on Friday (14/08/2020) as the dollar fell amid thin August trading, keeping most investors on the sidelines from making directional decisions on the British currency. Sterling gained against the dollar and the euro driven by a weakening dollar and rising hopes of a post-Brexit trade deal before a transition period ends this year. The pound went up by 0.45% and 0.08% against the dollar and the euro respectively. We expect the pound to remain stable as Britain releases data on inflation on Wednesday (19/08/2020) and retail sales on Friday (21/08/2020), with both expected to be lower.

EUR: The euro ended the week as the worse performing currency against the dollar and the pound. The Euro has been appreciating since March 2020, when the coronavirus market meltdown finally ended and the Dollar started losing ground as increasingly confident investors started to shift back into 'risk on' assets. The euro dipped by 0.03% and 0.12% against the dollar and the pound respectively. We therefore expect the euro to remain steady as PMIs for August will be release this week which will give a sense of how the respective recoveries in the Eurozone and UK are progressing to lift the single currency.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.68 USD¹; GHS: 7.44 GBP¹; GHS: 6.72 EUR¹

- In the just ended week, the Ghana cedi declined against all tracked currencies in our basket. The cedi fell by 0.02% and 0.49% against the dollar and the pound respectively. Against the euro, it also dropped by 0.45%.

- The local unit remained depressed amid the uncertainty over the tension surrounding the upcoming election and also fiscal measures to fight the impact of the coronavirus.

-The delay in outlining additional economic stimulus for the virus keeps weighing on the performance of the local unit as well.

- The cedi continues to suffer as the market keeps moving to places that would give them a better return and more comfort due to uncertainty in the market.

- Intervention by the central bank through regulation and FX auction helped minimize the rate of depreciation against the hard currencies.

- In the week ahead, we expect the cedi to rebound as investors focus on the fiscal stimulus plan with the gradual easing of restrictions by the government and also U.S.-China tensions ahead of key trade talks this week.

SOUTH AFRICA: ZAR: 17.46 USD¹; ZAR: 22.81 GBP¹; ZAR: 20.61: EUR¹

- In the week under review, the rand appreciated against all tracked currencies in our basket. The rand improved by 1.07% and 1.29% against the dollar and the pound respectively. Against the euro, it also went up by 1.27%.

- South Africa's rand edged higher on Friday (14/08/2020) in subdued trade, with the currency's rally hampered by the resumption of nationwide power cuts and more evidence that the domestic economy remains under pressure.

-On Thursday (13/08/2020), state power utility Eskom implemented nationwide rolling electricity blackouts, cutting up to 2,000 MW from the national grid. The company said the power cuts, or load shedding, may continue in the weeks ahead.

- Also, with the economy already in recession before the coronavirus lockdown, and set for a deep contraction for the whole of 2020, demand for the rand and domestic bonds has largely been supported by the high yield on offer due to high interest rates.

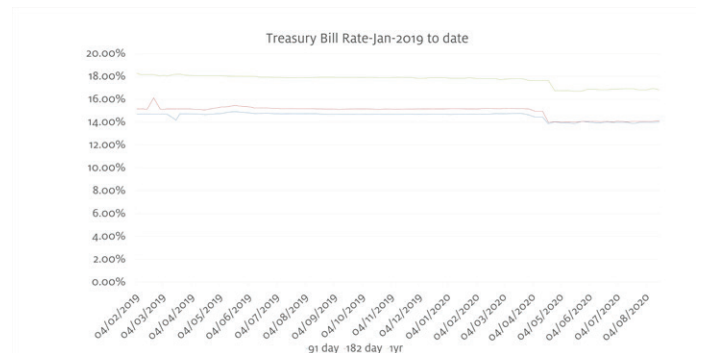
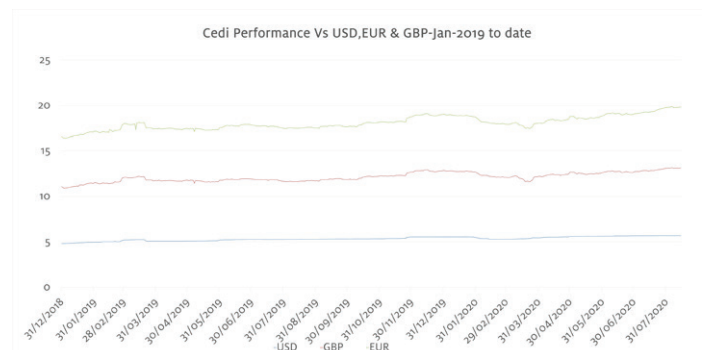
- We therefore expect the rand to come under pressure this week due to the gloomy economic outlook.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3110	(0.45)	1.1813	0.03
Europe	0.8465	(0.03)	1.1090	(0.12)	1.0000	0.00
UK	0.7628	0.45	1.0000	0.00	0.9023	0.08

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6806	(0.02)	7.4441	(0.49)	6.7198	(0.45)
Nigeria	379.5000	0.00	497.2590	(0.21)	448.1900	0.05
Kenya	108.2900	(0.27)	141.7350	0.26	128.1770	(0.07)
BCEAO*	556.0000	(0.36)	726.2500	0.03	655.9600	0.00
S. Africa	17.4595	1.07	22.8126	1.29	20.6126	1.27

Sources: GCB Bank, Central bank website

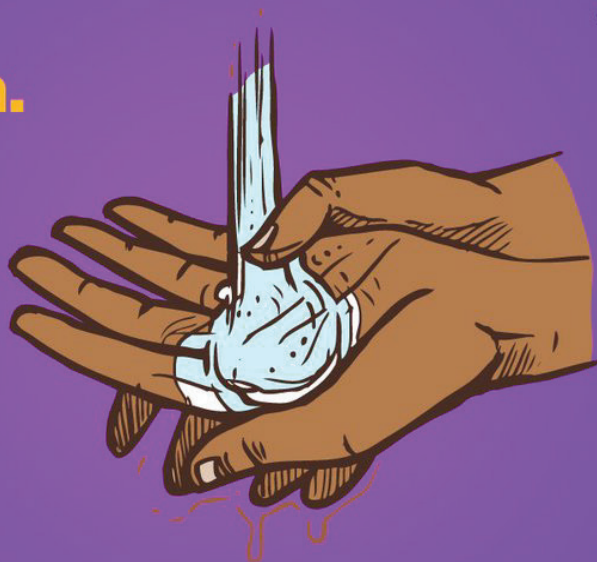


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