

WEEKLY CURRENCY REPORT



Date Issued | 20th July, 2020



GLOBAL FX MARKET

USD: The dollar was broadly lower on Friday (17/07/2020) against the euro but inched up against the pound as the euro rose to just under a four-month high, with negotiations underway between European Union leaders on a recovery fund that could lift the bloc out of the current recession. The greenback's fall against rival safe-havens may suggest its appeal, even in times of crisis, has been waning given the resurgence of coronavirus infections in the United States. The dollar dipped by 0.47% against the euro whilst it edged up by 0.34% against the pound. We expect the dollar to remain steady even though a positive outcome by the end of the EU summit could potentially weigh on its performance.

GBP: The pound fell against the dollar and euro last Friday and was set for its biggest weekly loss to the euro since the second week of May, weighed down by Britain's bleak economic outlook, Brexit uncertainties and the possibility of negative interest rates. British gross domestic product data for May rose less than expected, prompting investors to doubt the sufficiency of the already announced fiscal stimulus measures to prop up the economy. The pound declined by 1.00% and 1.90% against the dollar and the euro respectively. We therefore expect the pound to be under minimal pressure as Prime Minister Boris Johnson eased some lockdown measures on Friday (17/07/2020), but also announced local authorities will have power to shut down smaller areas of the country if necessary.

EUR: The euro climbed to its highest in more than four months against the dollar and was also up against the pound on Friday (17/07/2020) on hopes for an imminent agreement on a recovery fund for European Union economies hit by the COVID-19 pandemic. The fund is expected to total around 750 billion euros (\$857.93 billion), of which 390 billion euros could be offered as grants. The euro improved by 1.35% and 1.68% against the dollar and the pound respectively. We therefore expect the euro to continue soaring as a deal would make the euro more attractive as a reserve currency by establishing a central fiscal capacity that can respond to adverse shocks, which would make monetary union more stable.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.67 USD1; GHS: 7.17 GBP1; GHS: 6.48 EUR1

- In the just ended week, the Ghana cedi appreciated against the dollar and the pound whereas it declined against the euro. The cedi inched up slightly by 0.01% and 0.03% against the dollar and the pound respectively. Versus the euro, it dipped by 0.95%.

- The local unit edged up against the dollar modestly on Friday (17/07/2020) as worries about rising numbers of coronavirus infections spurred a broader risk-off move, pushing investors to less risky markets.

- The cedi was down against the euro ahead of an EU summit beginning Friday, at which European countries are expected to vote on a 750 billion euro (\$856 billion) recovery fund to revive growth in the bloc.

- The local unit rallied to close the week as market optimism over a potential coronavirus vaccine and an EU agreement on a recovery fund outweighed concerns about the Ghanaian economy.

- FX auction and regulations from the Central bank was able to support the cedi against other foreign currencies.

- Proceeds from oil prices also helped to generate enough hard notes which supported the cedi performance.

- In the week ahead, we expect the cedi to remain stable as investors expect a massive amount of fiscal spending to support growth with reduced inflation rate. Investors are likely to be disappointed if any stimulus falls short of their expectations.

SOUTH AFRICA: ZAR: 16.87 USD1; ZAR: 21.24 GBP1; ZAR: 19.05: EUR1

- In the week under review, the rand improved against the dollar and the pound but dipped against the euro. Against the dollar and the pound, the rand advanced by 0.86% and 1.18% respectively. Against the euro, it dipped by 0.13%.

- South Africa's rand edged up in subdued trading on Friday (17/07/2020) as a global surge in coronavirus infections put the brakes on demand, spurred by hopes that the European Union would agree on a recovery fund to rescue the worst hit members of the union.

- The European Union is set to agree on a recovery fund of around 750 billion euros (\$857.93 billion) for economies in the region hit by the pandemic, soothing the anxiety over persistent signs of a coronavirus surge.

- We expect the rand to come under pressure this week, with consensus flip-flopping over whether a rate cut will materialize at the MPC meeting this week as 13 of 28 economists expect a 25 basis point cut and two expect a 50 basis points to 3.25%. 13 of the 28 economists forecasted that the bank would leave rates unchanged.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2619	0.34	1.1329	(0.47)
Europe	0.8750	1.35	1.0980	1.68	1.0000	0.00
UK	0.7977	(1.00)	1.0000	0.00	0.9112	(1.90)

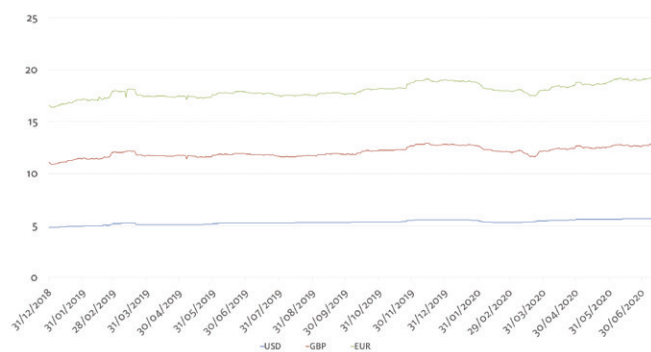
Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

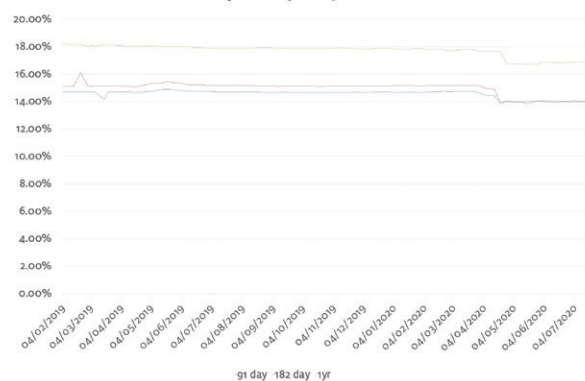
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6714	0.01	7.1744	0.03	6.4791	(0.95)
Nigeria	360.5000	0.00	452.5720	0.37	411.9430	(1.29)
Kenya	107.4580	(0.52)	134.9210	0.21	122.6150	(1.18)
BCEAO*	576.2500	0.61	722.7500	1.14	655.9600	0.00
S. Africa	16.7276	0.86	20.9898	1.18	19.0728	(0.13)

Sources: GCB Bank, Central bank website

Cedi Performance Vs USD, EUR & GBP-Jan-2019 to date



Treasury Bill Rate-Jan-2019 to date



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Scrolling? Pause and wash.



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