

WEEKLY CURRENCY REPORT



Date Issued | 22nd September, 2020



GLOBAL FX MARKET

USD: The U.S. dollar lost ground to the pound while the euro was at a week high against the greenback on Friday (18/09/2020) as investors sought safety amid concerns about a resurgence in coronavirus cases in Europe and a lack of progress in U.S. fiscal stimulus negotiations. The greenback declined by 1.39% against the pound while it improved by 0.18% against the euro. While U.S. equities have kept close to their record highs, the dollar weakness signaled more volatility to come ahead of the Nov. 3 U.S. elections where Republican President Donald Trump will face off against Democratic challenger Joe Biden. We therefore expect the dollar to be weighed on the back of heightening U.S.-China tensions due to a Trump administration plan to ban Chinese-owned platforms over national security concerns.

GBP: The pound rose after better-than-expected jobs data on Tuesday (15/09/2020) and British Prime Minister Boris Johnson faced opposition within his party to proposed legislation that would breach the Brexit treaty. The pound, which fell heavily in recent weeks as investors fretted that Johnson's plan sharply increased the risk of a no-deal Brexit, was 1.41% higher than the dollar, moving away from its two-week low. Versus the euro, the sterling also gained by 1.14%, buoyed by slightly better-than-expected British employment data. We expect the pound to remain steady as job vacancies rose to 434,000 between June and August, about 30% higher than in the April-to-June period which is almost half of pre-pandemic levels.

EUR: The euro fell on Friday (18/09/2020) to a fresh September low. Resurgent coronavirus contagions in Europe and the announcement of local lockdowns spurred concerns about economic growth. Furthermore, ECB President's statement that the Union's economic recovery remains very uncertain, uneven and incomplete also weighed on the single currency. The euro dipped by 0.18% and 1.18% against the dollar and the pound respectively. We therefore expect the euro to remain under pressure in the coming week as the focus will be on US Federal Reserve Chief Powell, who will testify on the CARES Act before the House Financial Services Committee.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.70 USD¹; GHS: 7.38 GBP¹; GHS: 6.74 EUR¹

- In the just ended week, the Ghana cedi appreciated against the euro whereas it declined against the dollar and the pound respectively. The cedi gained 0.05% against the euro while it dropped by 0.05% and 1.35% against the dollar and the pound respectively.

- The local unit gained against the euro as investors sought safety while they eyed new restrictions aimed at curbing surging coronavirus cases in Europe.

- Investors also sought for safety safe assets as global stock markets tumbled on fears about rising COVID-19 cases and uncertainty surrounding December's elections also weighed on the cedi performance.

- Overall uncertainty about the economic outlook also kept pressuring the cedi.

- Intervention through regulations and FX auction by the bank of Ghana supported the cedi marginally against the hard currencies.

- In the week ahead, we expect the cedi to remain relatively stable on the back of improved reserves and the expected inflow of US\$1.3 billion cocoa syndicated loan in October.

SOUTH AFRICA: ZAR: 16.14 USD¹; ZAR: 20.96 GBP¹; ZAR: 19.13: EUR¹
 - In the week under review, the rand improved against all tracked currencies in our basket. The rand went up by 3.82% and 2.55% against the dollar and the pound respectively. Against the euro, it increased by 3.70%.

- The South African rand rose on Friday (18/09/2020) as investors were seemingly relieved that Moody's had only downgraded the ratings outlook for the country's debt and did not cut it to junk as some had feared.

- The rand edged higher in subdued trade, with the currency's rally last week slowed by the resumption of nationwide power cuts and more evidence that the domestic economy remains under pressure.

- 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.

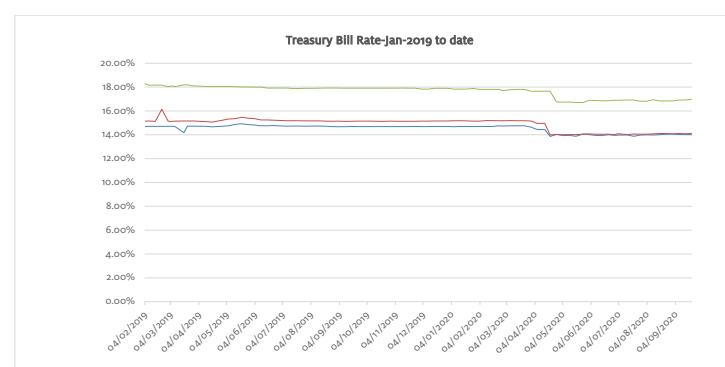
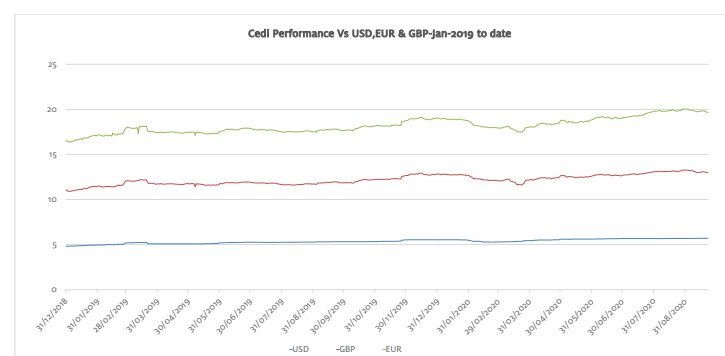
- We therefore expect the rand to remain stable in the coming week as the central bank has cut rates by 300 basis points this year.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2962	(1.39)	1.1833	0.18
Europe	0.8451	(0.18)	1.0951	(1.18)	1.0000	0.00
UK	0.7715	1.41	1.0000	0.00	0.9151	1.14

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6995	(0.05)	7.3817	(1.35)	6.7404	0.05
Nigeria	379.5000	0.00	492.3630	(1.09)	449.4040	0.09
Kenya	108.3790	0.02	139.7580	0.68	128.1490	0.20
BCEAO*	553.2500	0.27	718.2500	0.49	655.9600	0.00
S. Africa	16.1366	3.82	20.9557	2.55	19.1315	3.70

Sources: GCB Bank, Central bank website



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