

WEEKLY CURRENCY REPORT



Date Issued | 24th August, 2020



GLOBAL FX MARKET

USD: The dollar on Friday (21/08/2020) gained against the pound and the euro for the first time since mid-June after data showed a strong uptick in U.S. business activities. U.S. business activities snapped back to the highest since early 2019 this month as companies in both the manufacturing and service sectors saw a resurgence in new orders even as new COVID-19 cases remain stubbornly high across the country. The dollar improved by 0.28% and 0.37% against the pound and the euro respectively. We expect the dollar to continue soaring as traders look to the Federal Reserve's annual Jackson Hole retreat for guidance on the outlook of U.S. monetary policy.

GBP: The pound ended lower against the dollar as less expected dovish minutes from the U.S. Federal Reserve's latest policy meeting prompted traders to buy into the heavily shorted greenback. UK annual consumer price inflation picked up to 1.0% in July from 0.6% in June, as clothing stores refrained from their usual summer discounts as they reopened after the coronavirus lockdown. The pound dipped by 0.28% against the dollar while it went up by 0.14% against the euro. We expect the pound to remain stable as uncertainties surrounding the potential for the BoE adopting negative rates and the outcome of the trade negotiations between the EU and the UK continue to weigh on the pound performance.

EUR: The euro was held down as an August batch of European business surveys pointed to a stuttering economic recovery. The currency ended the week as the worse performing currency against the dollar and the pound. Improving UK PMI surveys came alongside disappointing European numbers that questioned the nascent Eurozone economic performance and prompted the market to reconsider its aversion to the Dollar. The euro declined by 0.37% and 0.46% against the dollar and the pound respectively. We therefore expect the euro to remain steady this week due to Eurozone weak economic recovery.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.68 USD¹; GHS: 7.44 GBP¹; GHS: 6.70 EUR¹

- In the just ended week, the Ghana cedi declined against the dollar but strengthened against the pound and the euro. The cedi fell marginally by 0.04% against the dollar whereas it gained 0.04% and 0.36% against the pound and the euro respectively.

- The cedi held firm on Friday (21/08/2020), shrugging off selling pressure from a move higher in equities, as investors seemed to temper their bearish bets against the local unit ahead of the elections.

- The local unit dropped against the dollar, as traders used the opportunity of the Federal Reserve's release of minutes from its last policymaking meeting to take profits.

- The cedi was also supported by the periodic intervention of the central bank through regulation and FX auction.

- In the week ahead, we expect the cedi to remain stable as business activity in both the manufacturing and services sectors snapped back to the highest since COVID-19 across the country.

SOUTH AFRICA: ZAR: 17.29 USD¹; ZAR: 22.82 GBP¹; ZAR: 20.43 EUR¹

- In the week under review, the rand declined against the pound while it rose against the dollar and the euro. The rand advanced by 0.96% and 0.87% against the dollar and the euro respectively. Against the pound, it went down by 0.04%.

- South Africa's rand rallied on Monday (17/08/2020), helped by a risk-on mood on global markets after U.S. regulators approved a treatment for COVID-19 patients.

- Markets latched onto the U.S. Food & Drug Administration's emergency use authorization for the use of blood plasma from patients who have recovered from COVID-19 as a treatment for the disease.

- That helped the rand gain against the dollar, continuing a recent pattern where the rand has moved mainly on shifts in global sentiment.

- After no major domestic data releases last week, local traders await consumer price index figures on Wednesday (26/08/2020) and the producer price index on Thursday (27/08/2020).

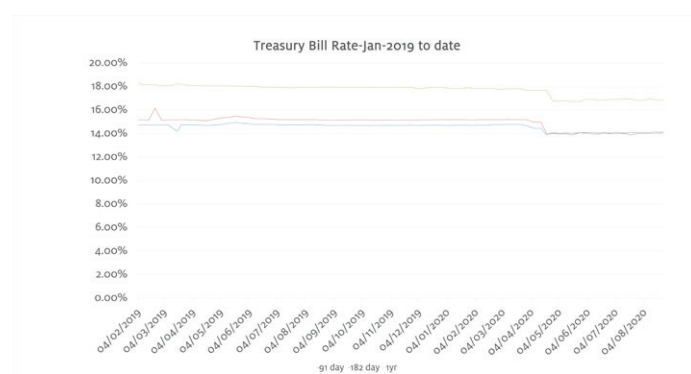
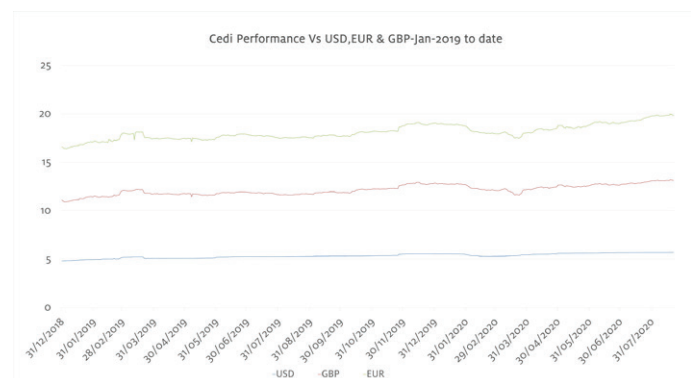
- Also in focus is the Federal Reserve's annual Jackson Hole retreat, for clues on the outlook for U.S. monetary policy, a major determinant of risk appetite globally.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3073	0.28	1.1769	0.37
Europe	0.8497	(0.37)	1.1141	(0.46)	1.0000	0.00
UK	0.7649	(0.28)	1.0000	0.00	0.9011	0.14

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6831	(0.04)	7.4412	0.04	6.6956	0.36
Nigeria	379.5000	0.00	497.4110	(0.03)	446.6720	0.34
Kenya	108.0090	0.26	141.8820	(0.10)	129.2140	(0.80)
BCEAO*	554.0000	0.36	733.0000	(0.92)	655.9600	0.00
S. Africa	17.2937	0.96	22.8208	(0.04)	20.4343	0.87

Sources: GCB Bank, Central bank website



WEEKLY CURRENCY REPORT



Date Issued | 24th August, 2020

Scrolling? Pause and wash.



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

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this document or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB is not obliged to inform readers of any such change to such opinions or estimates. This document do not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other specialist or technical advice or services, if necessary with the help of a professional advisor.

This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB.