

WEEKLY CURRENCY REPORT



Date Issued | 25th January, 2021



GLOBAL FX MARKET

USD: The dollar eased lower on Friday (22/01/2021), with risk sentiment still buoyed by expected stimulus ahead of this week's Federal Reserve meeting. Investors still remain hopeful the \$1.9 trillion stimulus package proposed by U.S. President Joe Biden will be passed by Congress in the near future, despite concerns that Senate Republicans could use obstructions to frustrate a large part of it, due to concerns about its size. The dollar dipped by 0.62% and 0.29% against the pound and the euro respectively. We expect the dollar to rebound as the central bank is expected to maintain its commitment to accommodative monetary policy during the Federal Reserve meeting on 26/01/2021.

GBP: The pound showed some strength on Friday (22/01/2021), with the sterling gaining against the dollar and dropping against the euro, helped by the U.K.'s relatively rapid distribution of Covid-19 vaccines. Britain has immunized around five times as many people as a proportion of its population than the European Union, a divergence that helped drive the U.K. currency to an eight-month high versus the euro in the last two weeks. The pound advanced by 0.63% against the dollar but declined by 0.04% against the euro. We expect the pound to remain stressed on worries of a slowdown in economic activity in 2021 on prolonged lockdown. This comes amid reports that the new UK COVID-19 variant was perhaps more deadly than the original strain.

EUR: The Euro extended its advance on Friday as Markit released the preliminary estimates of its January PMIs, which showed that economic activity contracted further, as the EU Markit Composite PMI came in at 47.5, below the previous 49.1. The euro also found additional support from a weaker tone surrounding the US dollar and seemed rather unaffected by disappointing German IFO survey results. The euro improved by 0.29% and 0.05% against the dollar and the pound respectively. The week ahead, we expect the euro to remain stable as market participants now look forward to scheduled speeches by the ECB policy-maker Weidmann and President Christine Lagarde for a fresh impetus.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.76 USD1; GHS: 7.87 GBP1; GHS: 7.01 EUR1

- In the just ended week, the Ghana cedi declined against all the tracked currencies in our basket. Against the dollar and the pound, the local unit went down by 0.02% and 0.52% respectively while it also lost 0.70% against the euro.

- The cedi weakened on Friday (22/01/2021) against the dollar, as a rally in riskier assets was driven by fading hopes in the U.S. economic stimulus.

- The local unit has mainly moved on global factors recently, shrugging off a run of poor domestic data that points to lingering weakness in the economy.

- Also, the fragile economy and the high level of government debt, which continue to rise, limit further cedi appreciation potential as COVID slows economic rebound.

- The cedi was also supported by the Central bank through regulation, FX auction and strong reserve position.

- In the week ahead, we expect the cedi to be fairly stable as strong reserve position, forward sale and regulation will help local currency.

SOUTH AFRICA: ZAR: 15.18 USD1; ZAR: 20.72 GBP1; ZAR: 18.40: EUR1

- In the week under review, the rand gained against all the tracked currencies in our basket. The rand was up by 0.69% and 0.56% against the dollar and the pound respectively. Also, it went up by 0.36% against the euro.

- South Africa's rand firmed on Friday (22/01/2021), as optimism that the new U.S. administration will unveil massive stimulus package to bolster growth boosted demand for riskier but higher-yielding currencies.

- Also, the South Africa's rand led gains across emerging market currencies as domestic inflation remained steady, while US stocks hit a record high on hopes of bumper COVID-19 stimulus measures in the United States.

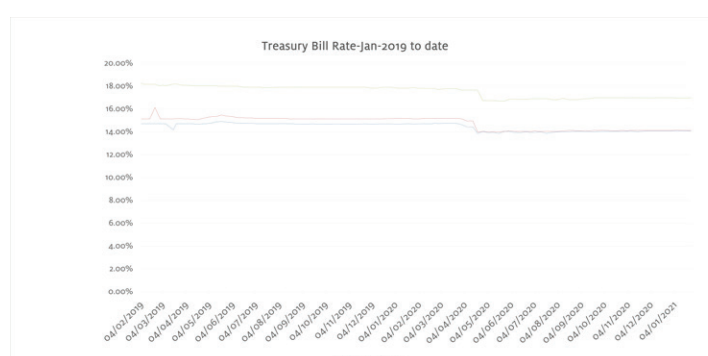
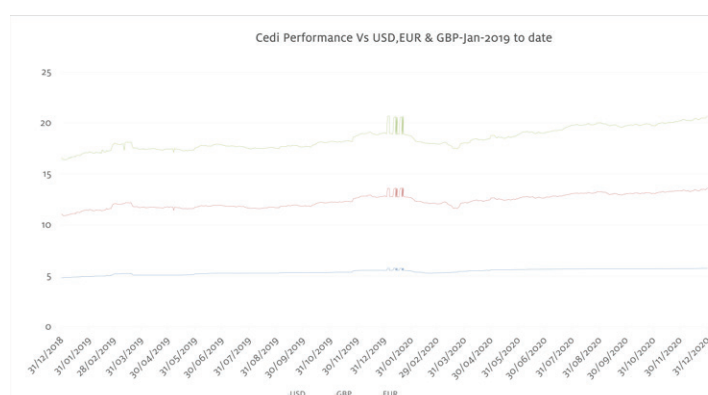
- In the week ahead, we expect the rand to remain stable as the central bank kept its main lending rate unchanged, providing some support to the currency.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3670	(0.62)	1.2158	(0.29)
Europe	0.8225	0.29	1.1230	0.05	1.0000	0.00
UK	0.7315	0.63	1.0000	0.00	0.8905	(0.04)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7618	(0.02)	7.8735	(0.52)	7.0134	(0.70)
Nigeria	379.5000	0.00	520.9020	(0.63)	461.0170	(0.20)
Kenya	109.8090	0.27	150.6380	(0.30)	133.3390	0.49
BCEAO*	539.7500	0.14	737.7500	0.10	655.9600	0.00
S. Africa	15.0771	0.69	20.6028	0.56	18.3352	0.36

Sources: GCB Bank, Central bank website



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**Scrolling?
Pause and
sanitize.**

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