

WEEKLY CURRENCY REPORT



Date Issued | 26th October, 2020



GLOBAL FX MARKET

USD: The dollar weakened slightly against a basket of major currencies on Friday (23/10/2020) amid uncertainty over a new round of stimulus ahead of the upcoming U.S. elections. U.S. House of Representatives Speaker Nancy Pelosi said another round of COVID-19 aid was still possible before the Nov. 3 elections, but that President Donald Trump would have to get reluctant Republicans on board if he wants a deal. The dollar dipped by 0.90% and 0.97% against the pound and the euro respectively. We therefore expect the dollar to remain under pressure due to the upcoming election and uncertainty surrounding the stimulus package.

GBP: The pound jumped versus the dollar and the euro on Friday (23/10/2020) after signs of progress in one of the key sticking points in Brexit negotiations; fisheries. The pound gave up some recent gains after an early flash PMI reading - a gauge of private sector growth - fell to a four month low of 52.9 in October from 56.5 in September but was still set to end the week up, after a new phase of intense Brexit talks restarted. The pound edged up by 0.90% and 0.03% against the dollar and the euro respectively. We expect the pound to stay stabilized as markets turned cautious over new lockdown restrictions in Europe and record-high daily virus cases in the United States.

EUR: The euro ended the week firm against the dollar but dropped against the pound as business surveys in France and Germany showed the impact of the second wave of COVID-19 infections in the euro zone's two biggest economies, threatening to derail the bloc's nascent recovery. The euro inched up by 0.98% against the dollar whilst it dipped by 0.34% against the pound. We therefore expect the euro to remain steady in the coming week on the back of positive reports that France was laying the groundwork for a fisheries compromise to help the European Union strike a Brexit deal with Britain.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.71 USD1; GHS: 7.45 GBP1; GHS: 6.76 EUR1

- In the just ended week, the Ghana cedi weakened against all tracked currencies in our basket. The cedi fell by 0.04%, 1.02% and 1.07% against the dollar, pound and the euro respectively.

- The cedi fell narrowly against the dollar due to cautious trading by dealers, on the back of surging coronavirus cases in the United States and lack of progress on a U.S. stimulus package.

- Against the pound and the euro, the local unit ended lower as Brexit negotiations remain in focus for pound and euro traders, with the United Kingdom and the European Union having over two months left to agree on their future trading relationship, ahead of a Dec. 31 deadline.

- The cedi was also cushioned by inflows from the cocoa syndicated loan.

- Similarly, Bank of Ghana input through regulation and FX auction also helped to mitigate the loss of the cedi.

- This week, we anticipate a steady decline in the cedi, with riskier currencies losing out. Our expectation is for markets to turn cautious over new lockdown restrictions in Europe and record-high daily virus cases in the United States.

SOUTH AFRICA: ZAR: 16.19 USD1; ZAR: 21.21 GBP1; ZAR: 19.17: EUR1

- In the week under review, the rand advanced against all tracked currencies in our basket to end the week. The rand improved by 2.28% and 1.05% against the dollar and the pound while it also inched up by 1.17% against the euro.

- South Africa's rand firmed on Friday (23/10/2020), building on recent gains as optimism about a new stimulus package in the United States boosted risk taking.

- We therefore expect the rand to remain stable in the coming week, as the rand continue to be driven by global risk sentiment and investors search for high yields.

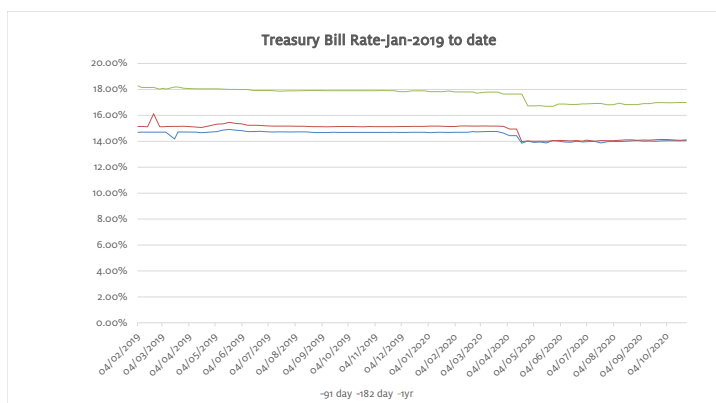
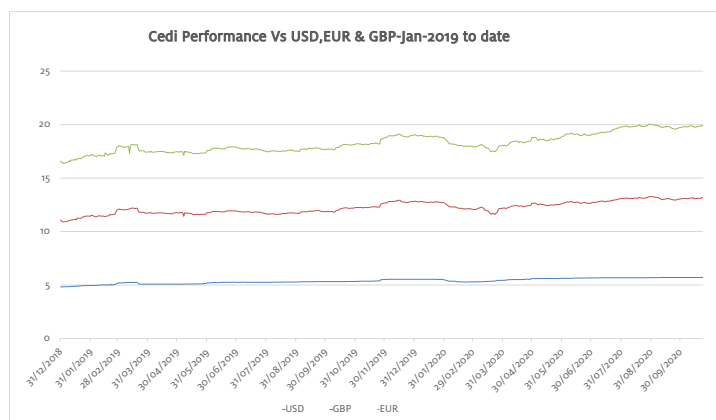
GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

| REGION | US\$ | Wkly (%Δ) | £ | Wkly (%Δ) | € | Wkly (%Δ) |
|--------|--------|-----------|--------|-----------|--------|-----------|
| USA | 1.0000 | 0.00 | 1.3047 | (0.90) | 1.1856 | (0.97) |
| Europe | 0.8435 | 0.98 | 1.1028 | (0.34) | 1.0000 | 0.00 |
| UK | 0.7665 | 0.90 | 1.0000 | 0.00 | 0.9061 | 0.03 |

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

| COUNTRY | US\$ | Wkly (%Δ) | £ | Wkly (%Δ) | € | Wkly (%Δ) |
|-----------|----------|-----------|----------|-----------|----------|-----------|
| Ghana | 5.7076 | (0.04) | 7.4499 | (1.02) | 6.7576 | (1.07) |
| Nigeria | 379.5000 | 0.00 | 495.9690 | (1.15) | 449.6700 | (0.94) |
| Kenya | 108.7740 | (0.14) | 141.9380 | (0.93) | 128.5550 | (1.01) |
| BCEAO* | 554.7500 | 0.99 | 725.5000 | (0.28) | 655.9600 | 0.00 |
| S. Africa | 16.1907 | 2.24 | 21.2106 | 1.05 | 19.1681 | 1.17 |



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