

WEEKLY CURRENCY REPORT



Date Issued | 27th July, 2020



GLOBAL FX MARKET

USD: The dollar was steady on Friday (24/07/2020) as risk appetite waned due to a host of concerns including a continued rise in coronavirus cases, a delay in the U.S. stimulus package bill and simmering U.S.-China tensions. A rise in U.S. jobless claims last week, for the first time in four months, also added to pressure on the dollar as a persistent increase in COVID-19 cases has put an apparent recovery in the labor market on stall speed and dampened consumer demand. The dollar remained unchanged against the euro and the pound week on week. We expect the dollar to rebound as investors will be watching to see if the U.S. central bank will increase its purchases of longer-dated debt and whether yield caps are likely to go forward.

GBP: The pound surged on Friday (24/07/2020) and was set for its biggest weekly gain since the first week of June, although investors remained cautious about data pointing to an economic recovery. Retail sales recovered to almost pre-lockdown levels in June and a survey measuring employers' confidence in hiring and investing also rose, turning positive for the first time since February. These factors also supported the pound. The pound inched up by 2.05% and 0.01% against the dollar and the euro respectively. We therefore expect the pound to remain steady as uncertainty over Brexit and Britain's economic prospects kept most investors on the sidelines.

EUR: The euro was high against the dollar to an almost two-year high on Friday (24/07/2020) on concerns about the growing number of coronavirus cases in the United States and ahead of the Federal Reserve's meeting this week when it is expected to confirm its commitment to rock-bottom interest rates. The euro advanced by 2.00% against the dollar and dipped by 0.42% against the pound. We therefore expect the euro to remain stable as investors continue to sell the greenback on expectations that a surge in coronavirus cases will create difficulties for the U.S. economy to outperform its peers.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.68 USD1; GHS: 7.26 GBP1; GHS: 6.61 EUR1

- In the just ended week, the Ghana cedi depreciated against all tracked currencies in our basket. The cedi dropped by 0.11% and 1.17% against the dollar and the pound respectively. Against the euro, it also declined by 1.92%.

- The local unit declined on Friday (24/07/2020) as investors fretted about the damage from the coronavirus to the economy and awaited the latest outlook from the Budget and the outline of new fiscal rescue packages.

- The cedi was under minimal pressure as speculation mounted about a possible shift in policy emphasis, even if no policy change is expected from investors.

- The country is also battling with the worst economic crisis in decades caused by the coronavirus which continues to weigh on the cedi's performance.

- The Bank of Ghana's continuous intervention in the FX market through FX auction and regulation was not enough to support the local unit against the hard notes last week.

- Inflow from oil proceeds also helped to cushion the magnitude of depreciation of the cedi.

- In the week ahead, we expect the cedi to rebound as maintained policy rate of 14.50% is expected to boost investor confidence in the economy.

SOUTH AFRICA: ZAR: 16.74 USD1; ZAR: 21.30 GBP1; ZAR: 19.43: EUR1

- In the week under review, the rand weakened against all tracked currencies in our basket. The rand depreciated by 0.08% and 1.45% against the dollar and the pound respectively. Versus the euro, it fell by 1.82%.

- South Africa's rand hit its weakest level in more than a week on Friday (24/07/2020) after the central bank cut interest rates on Thursday (23/07/2020) and signaled it may have reached the end of its easing cycle, and as relations between the United States and China worsened.

- The central bank's five-member monetary policy committee on Thursday voted three to two for a 25 basis-point rate cut to a record low of 3.50%.

- We expect the rand to remain under pressure this week as the interest rate cut and U.S.-China tensions continue to cause some uncertainty within markets.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

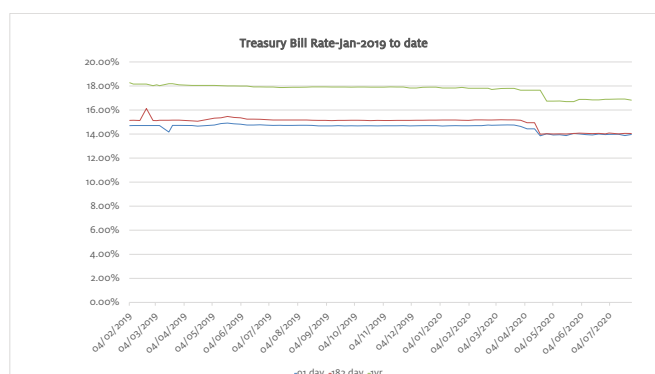
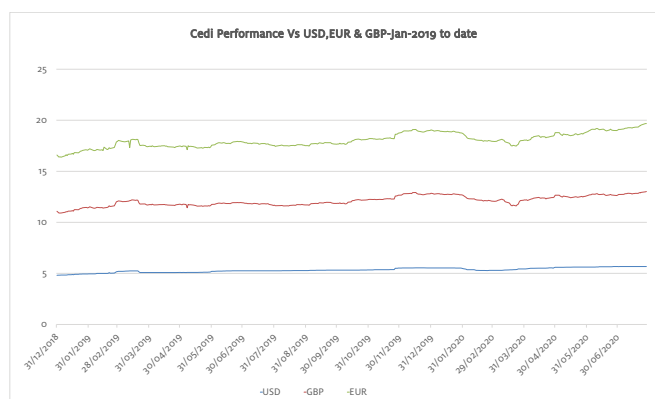
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2619	0.00	1.1329	0.00
Europe	0.8579	2.00	1.1025	(0.42)	1.0000	0.00
UK	0.7817	2.05	1.0000	0.00	0.9112	0.01

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6779	(0.11)	7.2592	(1.17)	6.6062	(1.92)
Nigeria	360.5000	0.00	460.0700	(1.63)	418.6490	(1.60)
Kenya	108.0200	(0.52)	137.4220	-1.82	125.1590	(2.03)
BCEAO*	565.5000	1.90	719.5000	0.45	655.9600	0.00
S. Africa	16.7403	(0.08)	21.2987	(1.45)	19.4271	(1.82)

Sources: GCB Bank, Central bank website



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