

WEEKLY CURRENCY REPORT



Date Issued | 28th September, 2020



GLOBAL FX MARKET

USD: The dollar gained ground on Friday (25/09/2020) and measured its biggest weekly gain since early April as investors worried about a slowing economic recovery, rising coronavirus infections in Europe, uncertainty about U.S. stimulus, and the upcoming elections. The dollar inched up by 2.02% and 1.71% against the pound and the euro respectively. We therefore expect the dollar to trade sideways due to soaring Covid-19 cases in the USA and concerns over economic recovery.

GBP: The pound erased gains against the dollar on Friday (25/09/2020) as investors hoped Britain's new scaled-back job support scheme will be followed by other fiscal measures, but feared talks about a move to sub-zero rates could also intensify. The pound dipped by 1.98% against the dollar but improved by 0.23% against the euro. Finance Minister Rishi Sunak announced a new scheme to support jobs as COVID-19 cases surged again, but warned that the government will support only viable employment. We expect the pound to remain bleak as looming risk of a no-deal Brexit and new lockdown measures also weigh down the currency.

EUR: The Euro ended the week as the worst performer, as investors bought its safe haven rival the dollar and the pound instead. Demand for the Euro was further pressured by signs that the Eurozone's coronavirus situation was worsening, as a second wave spread across Europe. The euro dropped by 1.68% and 0.64% against the dollar and the pound respectively. We therefore expect the euro to remain under pressure in the coming week as coronavirus and political jitters keep market demand for safe havens afloat.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.70 USD1; GHS: 7.24 GBP1; GHS: 6.63 EUR1

- In the just ended week, the Ghana cedi weakened against the dollar while it improved against the pound and the euro respectively. The cedi fell by 0.04% against the dollar while it gained 1.94% and 1.74% against the pound and the euro respectively.

- The local unit edged up against the pound and the euro as markets awaited the outcome of the MPC meeting, signs of any possible fiscal stimulus talks by the Central Bank and economic data including inflation.

- The cedi declined against the dollar as investors worried about a slowing economic recovery, reduced attention on coronavirus infections and uncertainty about upcoming elections.

- The improved performance of the cedi against the pound and the euro was also supported by improved oil and gold prices, which generated enough foreign remittances.

- The Bank of Ghana's involvement in the FX market through regulations and FX auction also helped to strengthen the local unit.

- In the week ahead, we expect the cedi to remain steady on the back of improved global financial market risk sentiments, foreign inflows from mining, strong remittances, and forward sales of foreign exchange by the Bank of Ghana.

SOUTH AFRICA: ZAR: 16.86 USD1; ZAR: 21.53 GBP1; ZAR: 19.65: EUR1

- In the week under review, the rand dipped against all tracked currencies in our basket. The rand was down by 3.00% and 1.60% against the dollar and the pound respectively. Against the euro, it also dropped by 1.74%.

- South Africa's rand edged lower on Friday (25/09/2020) as a sell-off in emerging markets eased, with investors taking profits from the dollar's recent rally to two-month highs.

- The rand has seen massive reversal, along with other risk assets, weakening more than 1% as fears of a second wave of COVID-19 infections in Europe rattled investor sentiment.

- We therefore expect the rand to remain under pressure in the coming week as demand for the U.S. dollar stepped up again, boosted by positive economic data and its renewed safe-haven appeal.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

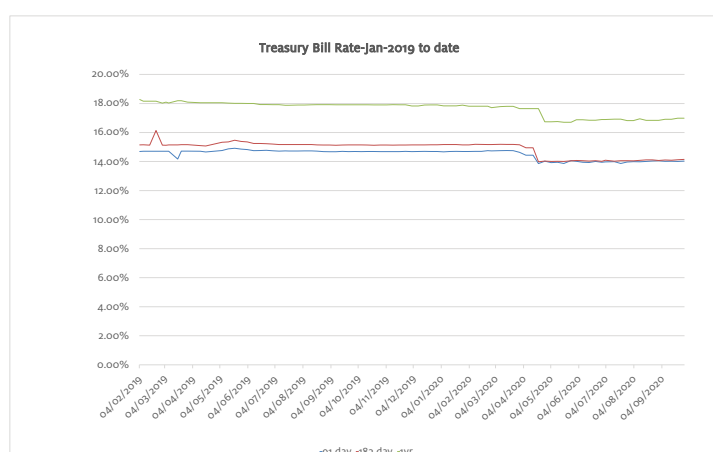
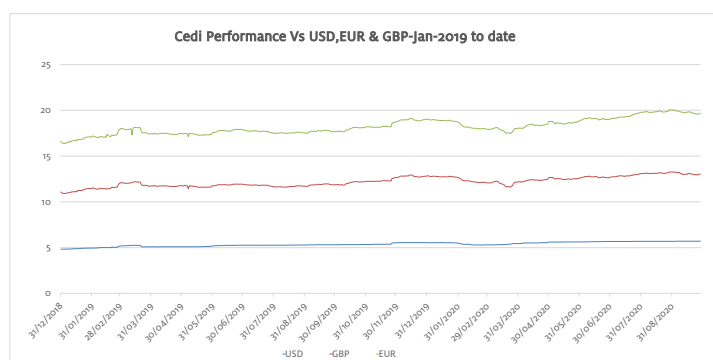
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2705	2.02	1.1634	1.71
Europe	0.8595	(1.68)	1.1022	(0.64)	1.0000	0.00
UK	0.7871	(1.98)	1.0000	0.00	0.9130	0.23

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7020	(0.04)	7.2413	1.94	6.6252	1.74
Nigeria	379.5000	0.00	483.2550	1.25	441.4720	1.46
Kenya	108.4690	(0.08)	138.3820	1.57	126.4920	1.73
BCEAO*	562.0000	(1.56)	718.5000	(0.84)	655.9600	0.00
S. Africa	16.8591	(3.00)	21.5265	(1.60)	19.6510	(1.74)

Sources: GCB Bank, Central bank website



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