

WEEKLY CURRENCY REPORT



Date Issued | 30th November, 2020



GLOBAL FX MARKET

USD: The dollar hit an almost three-month low on Friday (27/11/2020) after strong economic data from China pushed investors toward riskier currencies and equity markets extended their rally. The dollar has fallen more than 2% so far this month after Democratic U.S. President-elect Joe Biden's election victory and positive COVID-19 vaccine progress, which has reduced demand for safe havens. The dollar was down by 0.43% and 0.49% against the pound and the euro respectively. We therefore expect the dollar to be relatively stable as broad risk sentiment improved overall, with investors looking to President-elect Joe Biden's economic team that is likely to push for more stimulus to counter the shock from the coronavirus pandemic.

GBP: The pound hovered near a three-month high against the dollar on Friday (27/11/2020), brushing off fresh talk of a Scottish independence referendum that could wrench apart the United Kingdom after Brexit. Weakness in the U.S. dollar amid thin trading due to the Thanksgiving holiday bolstered sterling, which has approached its September high recently on optimism over Brexit talks between Britain and the European Union. The pound advanced by 0.44% against the dollar but dipped by 0.32% against the euro. We expect the pound to remain steady with five weeks left of a transition period before Britain leaves the EU, markets anticipate a deal can be struck even though stumbling blocks remain.

EUR: The euro retreated on Friday (27/11/2020) after hitting a near three-month high against the dollar as concerns about rising coronavirus cases in Europe grew. Pressure had mounted on the U.S. currency earlier in the session also after Federal Reserve minutes on Wednesday signalled the central bank is likely to strengthen its quantitative easing program at the next meeting in December. The euro improved by 0.50% and 0.05% against the dollar and the pound respectively. We therefore expect the euro to come under pressure as the ECB's chief economist said that tolerating a longer phase of even lower inflation would hurt consumption and investment as well as cementing expectations for low price growth in the future.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.71 USD1; GHS: 7.63 GBP1; GHS: 6.82 EUR1

- In the just ended week, the Ghana cedi dipped against all the tracked currencies in our basket. The cedi declined by 0.01% and 0.51% against the dollar and the pound respectively. Against the euro, it also fell by 0.75%.

- The cedi slipped against major currencies as positive vaccine news offset the surge in coronavirus cases and tighter economic restrictions across the United States and Europe.

- The local unit was supported by the possible resumption of U.S. stimulus talks for COVID-19 relief which weighed on the dollar as a safe haven.

- Central bank's support through regulation and FX auction also helped to reduce the magnitude of the cedi's loss.

- In the coming week, we expect the cedi to remain under pressure on possible hoarding of FX by speculators due to election related uncertainties.

SOUTH AFRICA: ZAR: 15.19 USD1; ZAR: 20.29 GBP1; ZAR: 18.11: EUR1

- In the week under review, the rand advanced against all the tracked currencies in our basket. The rand increased by 1.53% against the dollar. Also, it gained 0.79% and 1.07% against the pound and the euro respectively.

- The South African rand jumped on Friday (27/11/2020) despite a pair of sovereign ratings downgrades, while emerging market stocks raced to a fresh 32-month high on hopes of an early rollout of COVID-19 vaccines.

- Investors shrugged off news that credit rating agencies Fitch and Moody's had both cut South Africa's sovereign ratings further into junk - moves that the finance ministry warned could drive up the government's borrowing costs and constrain the fiscal options.

- In the week ahead, the rand is expected to trade sideways on positive news on Covid as a top U.S. official said health regulators would likely grant approval for distribution of the COVID-19 vaccine produced by Pfizer and German partner BioNTech in mid-December.

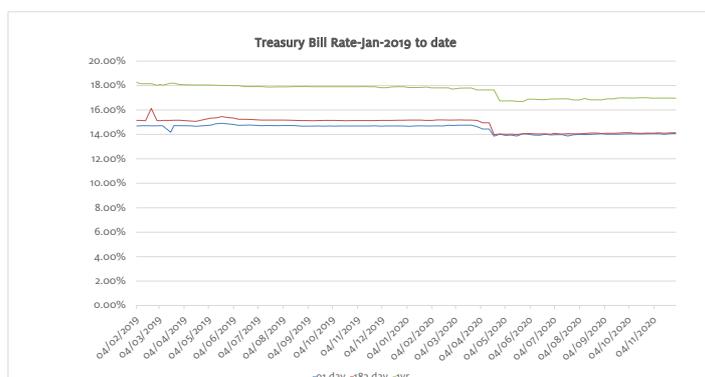
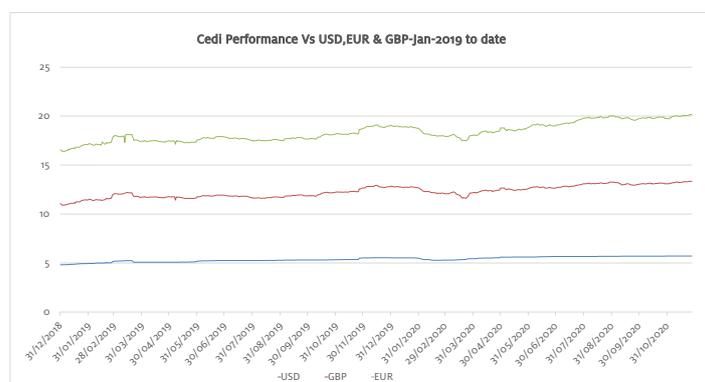
GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)

REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.3344	(0.43)	1.1922	(0.49)
Europe	0.8388	0.50	1.1180	0.05	1.0000	0.00
UK	0.7494	0.44	1.0000	0.00	0.8952	(0.32)

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)

COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.7134	(0.01)	7.6294	(0.51)	6.8245	(0.75)
Nigeria	379.5000	0.00	505.6460	(0.35)	452.5920	(0.44)
Kenya	109.9850	(0.54)	146.7740	(1.31)	130.9050	(1.11)
BCEAO*	550.0000	0.45	735.0000	(0.17)	655.9600	0.00



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Scrolling? Pause and sanitize.

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