

Ghana: Cedi Tumbles Against the Major Trading Currencies as Demand Pressures Intensify.

The Cedi plummeted against the three major trading currencies last week, weighed by unrelenting corporate FX demand and increasing FX supply deficit.

Amidst the heightened fiscal and external sector vulnerabilities, offshore selling pressures have intensified. However, the sources of liquidity on the market have dried up amidst the pronounced external sector vulnerabilities. Consequently, the BoG trimmed the scale of its bi-weekly FX auctions to the market and the BDCs thus far in Q3 2022 and has withheld spot market liquidity interventions for almost two months.

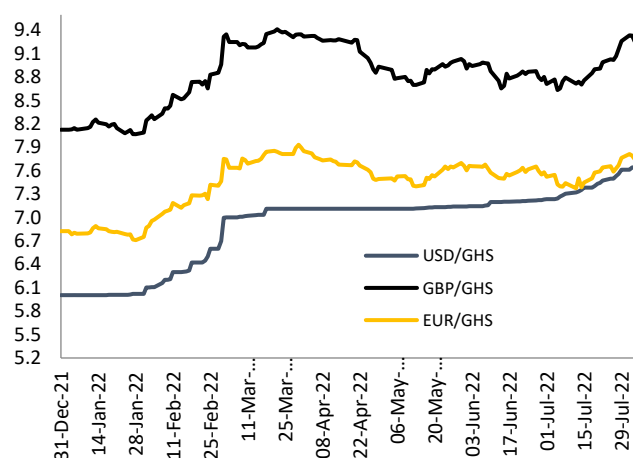
Against this backdrop, the Cedi is reeling with the Bank of Ghana's reference rate chipping away 4.86% vs. the USD to GH¢8 last week (-24.93% YTD). The local unit also weakened against the Euro and the GBP, shaving off 4.41% and 3.84%, respectively. News of the approved US\$750 loan syndication has also not significantly altered market sentiments. Thus, the latest S&P downgrade and the commentary on the balance of payments position could further intensify offshore investor sell-offs as the market remains on edge with the mid-year budget review failing to provide a spark. The Cedi is even weaker in the retail market, with the USDGHS pair closing last week above GH¢9. At this point, we believe expedited negotiation with the IMF for a much-needed backstop is imperative, and the USDGHS pair could test GH¢10 at FY-22 without significant progress in talks.

Nigeria: NGN posts mixed performance on the official market last week despite the sustained FX liquidity intervention

The Naira posted a mixed performance across the various market segments before succumbing to the demand pressures to close on a weaker note. The local unit opened the week on a sound footing, posting an appreciation of 0.25% by midweek but closed the week 0.50% weaker vs. the USD on the official I&E window.

The Naira has been under pressure recently, requiring sustained FX liquidity support from the CBN to the official market segment. Consequently, the stock of FX reserves has declined over the last fortnight, but the supply deficit is more pronounced on parallel market, falling to a record low on the parallel market. At US\$39.7bn, Nigeria remains strong and supportive of the Naira on the official window. However, due to tightening FX liquidity conditions, the Naira could remain weak in the parallel market and the other market segments.

Figure 1: Evolution of Interbank Exchange Rate (2022)



Source: GCB Capital Research | Ghana Statistical Service | Bank of Ghana

Table 1: Year to Date GHS Rates Summary

GHC	\$	£	€
2022 low	5.8024	7.5839	6.6248
2022 High	8.0010	9.6341	8.9069
Average (YTD)	6.4889	8.4888	7.1929
Current Rate	8.0010	8.1243	9.6341

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	19.12	1.31%	19.45	2.12%	23.10	-3.17%
Ghana	8.00	4.86%	8.12	4.41%	9.63	-3.84%
Kenya	119.09	0.24%	121.31	0.53%	144.51	-0.56%
Nigeria	417.97	0.50%	427.71	1.61%	507.42	-0.76%
S. Africa	16.51	0.00%	16.85	0.00%	20.08	0.00%
Tanzania	2304.50	0.0%	2357.16	0.09%	2797.9	0.18%
Uganda	3881.22	0.49%	3931.54	0.57%	4701.1	-1.16%
Zambia	16.08	1.61%	16.34	1.71%	19.34	2.59%

Source: Bank of Ghana | GCB Capital Research

Research Contacts

Courage Kwesi Boti
Economist/ Research Lead
+233302945848 | +233302945838
ckboti@gcb.com.gh

Fund Management Contacts

Afua Akyaa Osei
Vice President, Fund Management
+233302945848 | +233302945838
aaosei@gcb.com.gh

Debt Capital Market (DCM) Contacts

Baffour Agyarko Kwakye
Vice President, DCM
+233302945848 | +233302945838
bakwakye@gcb.com.gh

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@gcb.com.gh

Michelle Nana Ohenewaa Kitson-Amoah
Associate, DCM
+233302945848 | +233302945838
mnodadey@gcb.com.gh

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49 Ndabaningi Sithole Rd

Labone, Accra