

Ghana: Timely FX Liquidity Boost to Ease Cedi Pressures in the Near Term but the Macro-Fiscal Imbalance Remains Risk to the Outlook

Ghana received a much-needed FX liquidity boost late last week, easing the prevailing depreciation pressures in the interim. The optimism follows the disbursement of the US\$750 AFREXIM loan late last week, a welcome intervention needed to strengthen the Bank of Ghana's hands in cushioning the GHS. Additionally, COCOBOD announced the start of an investor roadshow in London towards a US\$1.3bn cocoa loan syndication to finance cocoa purchases in the 2022/23 crop season.

Thus, the combined US\$2bn from the loans provides the timely liquidity cushion needed to halt the Cedi's free fall in the interim, pending a broad-based intervention to re-anchor market sentiments. Before the announcement, the Cedi's bearish run continued before stabilizing towards the end of the week.

The local unit shaved off 1.02% last week (-7.46% thus far in Aug-22) against the USD on the interbank market, closing last week with a net depreciation of 26.98% YTD. The GHS is even weaker in the retail market, recording more than 36% depreciation against the USD YTD. We expect the anticipated boost to liquidity over the next three months to cushion the Cedi to stability around current levels in the interim, with the medium-term outlook of the local unit hinging on the scale of policy intervention to correct the prevailing macroeconomic imbalances.

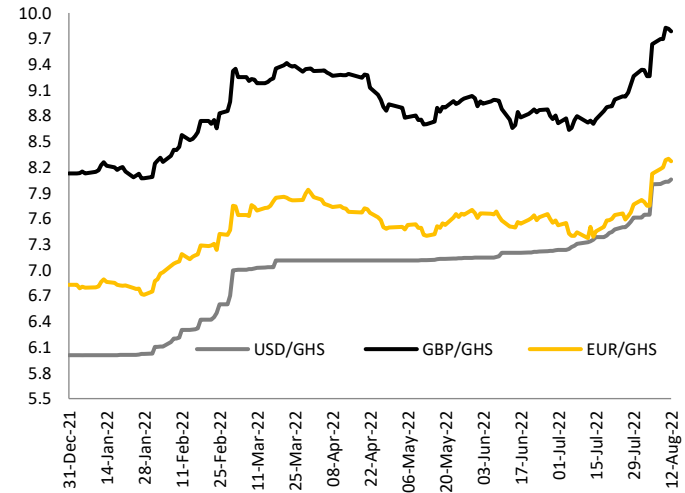
Kenya: Delayed Determination of the Winner of the Presidential Election Could Stoke Market Uncertainty and Peg the Kesh on the Backfoot

Kenya is facing an uncertain time ahead of the determination of the election petition, which could weigh on investor sentiments if the litigation process ends up in a re-run of the presidential elections.

The first runner-up in the just-ended presidential election in Kenya has filed a petition contesting the election's outcome on rigging and counting irregularities. The constitution provides for the determination of a presidential election petition within 14 days of the petition and a re-run within 60-days. Kenya's last presidential election also ended in dispute and was ultimately nullified by the supreme court, with the re-run characterized by street violence and social unrest.

While the selloffs that preceded the election have subsided broadly, we flag political risk as a delayed determination of the election's winner could stoke market uncertainty and rekindle portfolio reversals from Kenya. The Kenyan Shilling (KESH) lost 0.28% w/w vs. the USD last week as investors generally stayed on the fence, awaiting the determination of the petition. While we do not envisage a repeat of the violence that characterized the 2017 election petition, the political uncertainty could weigh on sentiments and peg the Kesh on the backfoot.

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	5.8502	7.5839	6.6248
2022 High	8.2255	9.8277	8.9069
Average (YTD)	6.6297	8.5930	7.2771
Current Rate	8.2255	9.6897	8.2280

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	19.19	-0.2%	19.20	0.06%	22.71	-0.28%
Ghana	8.23	-1.1%	8.22	0.49%	9.69	-0.67%
Kenya	119.91	-0.3%	119.59	1.66%	141.71	-15.6%
Nigeria	422.51	-0.4%	422.55	0.17%	499.66	-0.54%
S. Africa	16.83	0.37%	16.79	1.48%	19.83	1.23%
Tanzania	2304.85	0.00%	2298.17	1.92%	2724.2	1.90%
Uganda	3807.04	1.26%	3907.10	0.00%	4630.3	0.00%
Zambia	16.13	-0.1%	16.23	-0.1%	19.15	-0.39%

Source: Bank of Ghana | GCB Capital Research

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