

Ghana: Cedi Stable but Near-Term Vulnerabilities Remain a Threat to Continuous Stability

The Cedi extended its purple patch against the USD and the other major trading currencies amidst improved FX liquidity on the market. While the level of demand remains strong, the BoG was present in the interbank market, lending liquidity support to even out intra-day volatility. The improved liquidity support thus sustained the Cedi's stable run against the USD to close the week at the retail market at around GH¢9.95 vs the USD.

On the interbank market, however, the Cedi remains on the back foot against the USD, ceding 1.1% over the last fortnight. We believe the Bank of Ghana is closing the widespread between the official BoG reference rate and the retail market rates to re-anchor cedi stability around the current market levels. The spread of about GH¢1.70 between the retail market rate and the BoG reference rate could create arbitrage opportunities at the current market levels.

The Cedi's newfound stability could be short-lived as we believe market sentiments are still bearish, sustaining the upsurge in nominal yields. Offshore investors remain muted in the domestic market, and the Bank of Ghana remains the dominant source of liquidity in the market. At this rate and without any changes in market sentiments, the market could absorb the US\$750 mn liquidity injection and leave the external balances threadbare.

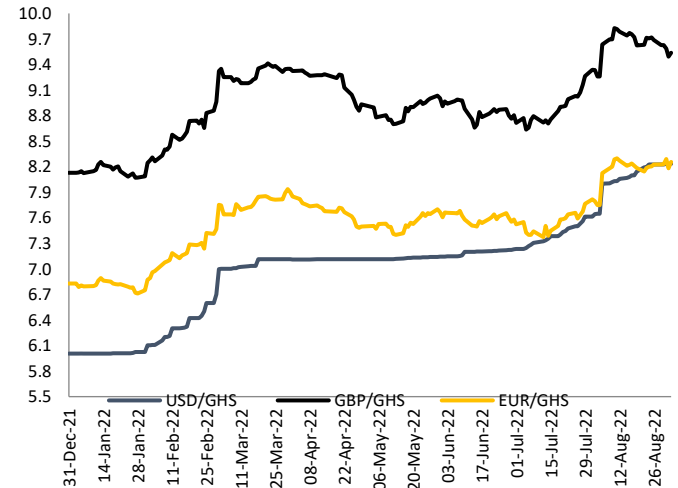
Zambia: The Kwacha rallies to Pre-Pandemic Heights Following the IMF Board's Approval of the US\$1.3bn ECF-Supported Program

Zambia's protracted negotiations with the IMF spanning 21 months have culminated in a Board level approval for a post-pandemic recovery program. The 38-month, US\$1.3 billion program supported by the Extended Credit Facility (ECF) will support the government's home-grown policies to correct macroeconomic imbalances and restore fiscal and debt sustainability.

The approval paves the way for the immediate disbursement of US\$185 million towards the balance of payments and policy support to correct the macroeconomic imbalances and set the economy on the path to fiscal and debt sustainability. The Kwacha rallied broadly against the primary trading currency following the news, reaching its pre-pandemic high within hours of the news and closed the week 4.59% stronger vs the USD.

At this point, the Kwacha has turned the corner, becoming the best performing currency within our coverage universe and could further strengthen in the coming months as negotiations on debt restructuring advance. We expect the authorities to immediately re-open talks with the official bilateral credit committee and private lenders on the terms of debt restructuring. Progress on these negotiations will help Zambia's free return to the path of fiscal and debt sustainability, freeing up a much-needed fiscal space to support priority spending. We believe this development will unlock new financing and return the economy to the path of robust and inclusive growth over the medium term, which bodes well for exchange rate stability.

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	19.22	-0.16%	19.23
2022 High	8.23	-0.04%	8.26
Average (YTD)	120.12	-0.18%	120.02
Current Rate	424.55	-0.48%	424.38

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

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