

Ghana: Cedi Extends Bearish Run Despite the Closure of the US\$1.13 bn Cocoa Loan

The GHS weakened again last week against the major trading currencies as market uncertainties and the anticipation of the conclusion of the IMF mission, the MPC decision and the ongoing debt-sustainability report built up. News of the closure of the US\$1.13bn annual cocoa loan syndication failed to produce a spark as demand from offshore investors and corporates weighed the local unit.

USDGHS: The upbeat US jobs and unemployment data provides the scope for another 75bps interest rate hike. The data optimism lifted the USD against the advanced and EMDEs currencies ahead of the release of the CPI inflation data later this week. The GHS closed last week 0.92% weaker against the USD (-40.18% YTD), and the interbank reference rate also closed 0.34% weaker (-37.68% YTD).

GBP/GHS: The GBP appreciated against the USD last week following the government's significant U-turn on its tax cuts, restoring the 45% top-tier income tax rate. The policy reversal, the BoEs intervention to purchase unlimited quantities of longer-dated bonds and the meeting with the Office for Budget Responsibility (OBR) provided a breather. Consequently, most emerging market currencies depreciated against the GBP, with the Cedi closing the week 2.83% lower on the retail market (-31.66% YTD).

EURGHS: The broad-based strengthening of the USD last week, bolstered by the impressive jobs data, dragged the Euro lower against the USD last week. Regardless, most EMDEs currencies weakened against the Euro, with the Cedi shaving off 1.85% w/w on the retail market last week (-21.85% YTD).

The imminent disbursement of the US\$1.13bn cocoa loan should temporarily boost gross FX reserves and improve liquidity conditions. However, we expect the prevailing fiscal and macroeconomic uncertainties to drive sentiments as investors look forward to the release of the debt sustainability report for the next steps on a potential debt treatment.

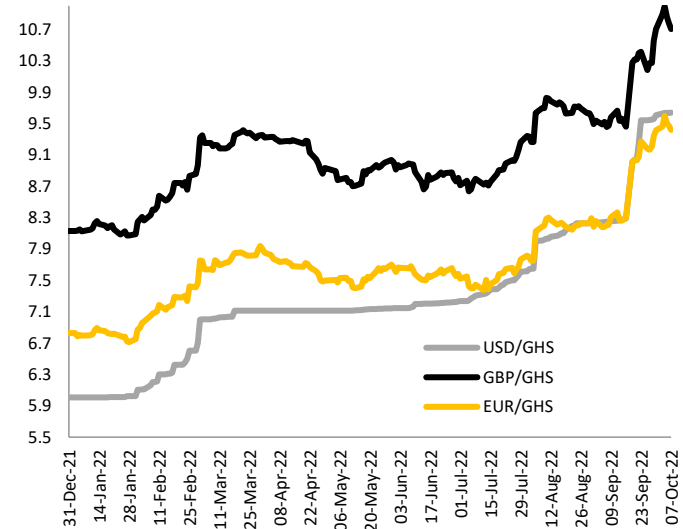
African Currencies: Dollar Surge Undermines SSA Currencies

Almost all the currencies within our basket of African currencies declined against the USD, and the greenback strengthened on the back of increasing bets on the Fed sustaining its aggressive policy stance.

This USD's strengthening follows the 263k addition to the non-farm payroll in Sept-22, with the unemployment rate easing to a low level of 3.5% (vs 3.7% in Aug-22). CPI inflation in the US, like many other markets, remains elevated. The impressive jobs and employment data have fueled expectations of another 75bps interest rate hike at the next policy meeting. As a result, the USD has strengthened broadly against most EMDEs currencies, undermining almost all the African currencies within our basket last week.

Given the fragile macro-fiscal conditions across Africa, which triggered a widespread portfolio reversal, the Fed-induced dollar resilience could peg most SSA currencies on the back foot.

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	5.8678	7.5839	6.6248
2022 High	9.6375	10.9936	9.5951
Average (YTD)	6.9715	8.8205	7.4928
Current Rate	9.6375	10.7034	9.4200

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	19.55	-0.34%	18.98	1.41%	21.23	3.92%
Ghana	9.60	-0.66%	9.41	-1.51%	10.70	-2.7%
Kenya	120.73	-0.25%	117.13	2.64%	130.66	5.61%
Nigeria	423.37	1.71%	420.26	1.92%	469.34	3.85%
S. Africa	17.89	-0.66%	17.60	-1.44%	20.07	-1.1%
Tanzania	2307.94	-0.04%	2244.24	1.55%	2524.7	3.51%
Uganda	3852.22	-0.71%	3709.41	1.87%	4139.1	4.72%
Zambia	15.42	-0.12%	15.37	0.04%	17.45	-0.2%

Source: Bank of Ghana | GCB Capital Research

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