

Ghana: Cedi Plunges to New lows Amidst Heightened Demand Pressures from Corporates and Investors

The Cedi's slide against the USD and the other major trading currencies continued, with the GHS plummeting to GHS15/\$ (-22% w/w) on the retail Market last week. Year-to-date, the Cedi is trading 56.7% weaker vs the USD and has lost 40.35% and 37.15% against the GBP and the Euro.

The Bank of Ghana's interbank reference rate also showed a similar trajectory of weaknesses, easing to GHS12.59/\$ on Thursday, October 20, 2022, before recording a slight gain to the week at GHS12.53/\$ (-14.5% w/w). We believe the prevailing market uncertainty has fueled speculative demand for FX, which underpins the bearish run.

USD: The FX market could be sensitive to economic data and signs of financial market stress in the coming weeks. This follows the suggestion from some Fed officials that the pace of monetary tightening could be debated at the next meeting. The USD remains robust, but a softer policy stance could lift other currencies against the greenback.

GBP: Former Finance Minister Rishi Sunak has emerged as the front-runner for the British Prime Minister position. The market favours Rishi Sunak as his ascension will represent reduced political uncertainty that weighed down the Pound. We believe this development underscores the Pound's newly found resilience.

EURO: The seasonally adjusted S&P Global Eurozone PMI Composite Output Index dropped to 47.1 points (-100bps) in October, reflecting reduced economic activity in the Eurozone for the fourth consecutive month, which could peg back the Euro.

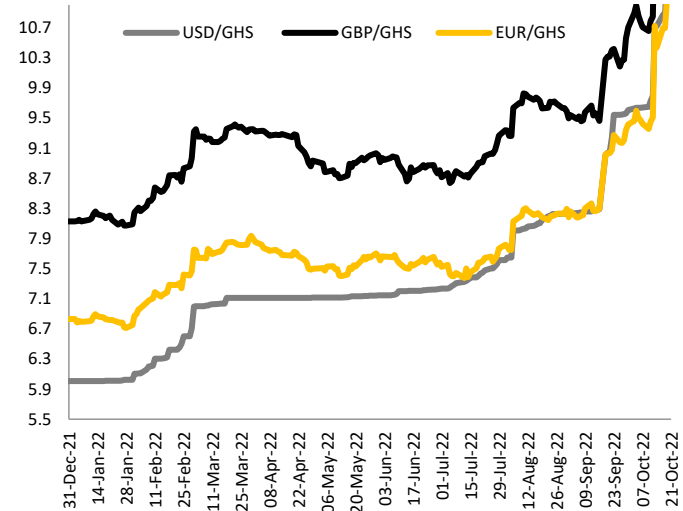
Egypt: CBE hints at a currency indicator to Wean Populace off Dollar Dependence.

The governor of the Central Bank of Egypt, Hassan Abdalla, hinted about potentially developing a currency indicator to wean the populace off dollar dependence.

This statement comes ahead of Egypt reaching a staff-level agreement with the IMF team for a Fund-supported program that is expected to include a far-reaching exchange rate and external sector reforms. The Central Bank is seeking to revamp its FX trading system and change the culture of dollar dependence which has seen the EGP pegged around EGP15.70/US\$ before the devaluation exercise in Mar-22. The governor hinted that the indicator will be based on a basket of several other currencies of Egypt's major trading partners and could include gold. Since Aug-22, the Central Bank, under its new governor, Hassan Abdalla, has introduced currency hedging as part of its reformative drive.

We believe this latest approach signals Egypt's shift towards a more flexible exchange rate regime. We expect the reforms envisaged under the imminent IMF program to quicken the steps. While a shift to a flexible regime will prove inflationary initially, it is necessary to re-anchor investor sentiments over the medium to long term.

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	5.8848	7.5839	6.6248
2022 High	12.5886	14.1824	12.3491
Average (YTD)	7.1668	8.9832	7.6432
Current Rate	12.5307	14.0914	12.3328

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	19.68	-0.03%	19.40	-1.46%	22.24	-1.20%
Ghana	12.53	14.47%	12.33	-15.4%	14.09	14.85%
Kenya	121.14	-0.13%	118.69	-1.13%	136.46	-1.21%
Nigeria	436.78	-0.28%	428.66	-0.99%	491.68	-0.18%
S. Africa	18.36	-1.04%	17.95	-1.30%	20.48	-0.06%
Tanzania	2308.28	0.00%	2262.11	-1.29%	2600.9	-0.40%
Uganda	3812.48	0.47%	3731.87	-0.29%	4292.8	0.26%
Zambia	15.42	-0.67%	15.64	14.61%	17.84	0.52%

Source: Bank of Ghana | GCB Capital Research

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