

## Ghana: Cedi Tumbles Against the Major Trading Currencies on Domestic Debt Restructuring Jitters

The Cedi plummeted against the major trading currencies last week as the resurgent FX demand pressures across the interbank and the retail market segments continue to undermine the local unit. We believe the possibility of domestic debt restructuring as a pre-condition for an IMF program weighs on investor sentiments, sustaining Cedi's bearish run.

**USDGHS:** The Cedi tumbled against the greenback on the interbank and the retail markets amidst a resilient dollar run buoyed by another 75bps hike in the US policy rate. The BoG's reference rate depreciated by 13.12% w/w (-37.05% YTD) while the retail spot rate closed 1% weaker (-43.3% YTD).

**GBPGHS:** While the GBP is reeling against the major trading currencies following the UK's expensive fiscal stimulus package announced last week, it still held its own against EMDE currencies including the Cedi. The local unit ceded 10.52% against the Pound last week (-21.97% YTD) as the bleak market sentiments fuelled increasing risk aversion.

**EURGHS:** The growing gap between US interest rates and that of Europe and other advanced markets has lifted the USD against the major trading currencies and underscored the Euro's bearish run. However, the emerging market currencies still wobbled against Euro last week, with the Cedi shedding off 10.52% at the close of the week (-26.36% YTD).

Given the strong headwinds to currency stability (domestic fiscal and debt uncertainties, high risk of default, potential debt restructuring, hawkish global monetary policy stance), we expect the Cedi to extend the bearish run against the major trading currencies in Q4 2022. The unfavourable market sentiments could worsen the balance of payment problem ahead of the Yuletide season and deepen the FX reserve vulnerabilities.

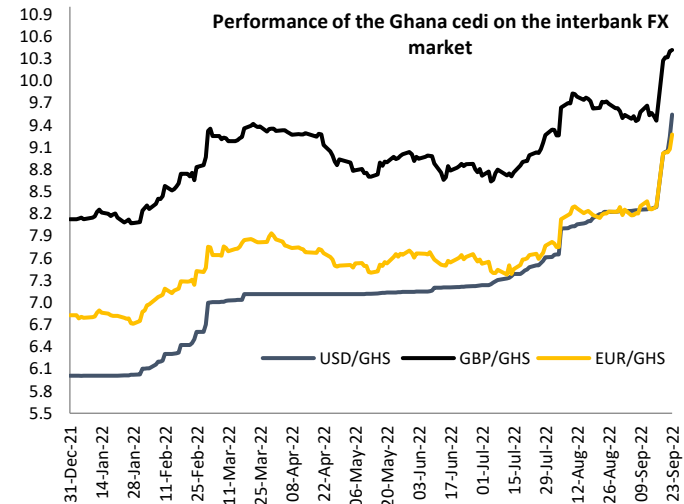
## Nigeria: Thriving Speculative Activities due to FX supply Shortfall Widens Spreads between the Official Exchange Rate and The Parallel Market Rates

Nigeria's foreign exchange crisis continues, and it has become increasingly expensive to maintain the multilayered FX regime due to dwindling oil receipts and declining stock of FX reserves. With the various market segments starved of FX liquidity, demand has piled up on the parallel market, plunging the USDNGN spot rate to a multi-year low.

While the Naira is resilient on the official I&E window (week close: ₦430.59/\$ | -0.4% w/w | -4.09% YTD), it continues to plummet on the parallel market due to FX scarcity. The Naira closed trading last week at ₦720/\$ (-21.5% YTD). Thus, the spread between the official USDNGN exchange rate and the parallel market rate continues to widen, indicative of a thriving speculative activity as the Central Bank of Nigeria (CBN) has reduced the scale of its FX market liquidity interventions in recent weeks.

While the current stock of FX reserve worth US\$38.48bn is still robust and can support the CBN's liquidity operations, the Naira remains artificially overvalued and has become expensive to maintain. We expect the limited FX supplies to undermine offshore appetite for Naira-denominated assets amidst the sustained risk-off sentiments in emerging and frontier markets.

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	\$	£	€
<b>2022 low</b>	5.8643	7.5839	6.6248
<b>2022 High</b>	9.5414	10.4150	9.2721
<b>Average (YTD)</b>	6.8295	8.7197	7.3953
<b>Current Rate</b>	9.5414	10.4150	9.2721

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	19.48	-0.35%	19.25	1.1%	22.06	0.46%
Ghana	9.54	-13.12%	9.27	-10.5%	10.42	-9.2%
Kenya	120.43	0.11%	120.22	-0.8%	137.99	-1.1%
Nigeria	430.59	-0.40%	428.32	0.00%	487.43	1.11%
S. Africa	17.78	-0.68%	17.35	1.38%	19.84	1.20%
Tanzania	2307.04	-0.02%	2279.01	0.85%	2613.2	0.51%
Uganda	3824.95	-0.29%	3778.76	0.88%	4334.6	1.89%
Zambia	15.42	-0.67%	15.38	1.27%	17.42	2.21%

Source: Bank of Ghana | GCB Capital Research

### Research Contacts

Courage Kwesi Boti  
Economist/ Research Lead  
+233302945848 | +233302945838  
[ckboti@gcb.com.gh](mailto:ckboti@gcb.com.gh)

### Fund Management Contacts

Afua Akyaa Osei  
Vice President, Fund Management  
+233302945848 | +233302945838  
[aaosei@gcb.com.gh](mailto:aaosei@gcb.com.gh)

### Debt Capital Market (DCM) Contacts

Baffour Agyarko Kwakye  
Vice President, DCM  
+233302945848 | +233302945838  
[bakwakye@gcb.com.gh](mailto:bakwakye@gcb.com.gh)

Wilson Kyeremeh  
Portfolio Manager, HSG  
+233302945848 | +233302945838  
[wkyeremeh@gcb.com.gh](mailto:wkyeremeh@gcb.com.gh)

Michelle Nana Ohenewaa Kitson-Amoah  
Associate, DCM  
+233302945848 | +233302945838  
[mnodadev@gcb.com.gh](mailto:mnodadev@gcb.com.gh)

## Disclaimer

This investor note has been prepared by the GCB Capital Research Team solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this investor note are short term views of the GCB Capital Research team from which it originates and are not a personal recommendation and do not consider whether any product or transaction is suitable for any investor.

Whilst the information provided in this document has been prepared by GCB Capital Research Team based on or by reference to sources, materials that GCB Capital Limited believe are reliably accurate, GCB Capital does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicit the reader to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this note or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB Capital Limited is not obliged to inform readers of any such change to such opinions or estimates. This document does not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. It is recommended for interested parties to check that the information provided is in line with their own circumstances about any legal, regulatory, tax or other specialist or technical advice or services, if necessary, with the help of a professional advisor. This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB Capital Limited.



49 Ndabaningi Sithole Rd

Labone, Accra