

Ghana: Seasonal Demand Pressures and Bearish Market Sentiments Could Drag the Cedi to Record Low in Q4 2022

The cedi posted a mixed fortune last week, trading largely stable against the greenback for the most part before easing in the later sessions as demand pressures mount. We believe the Finance Minister's presser at midweek, which sought calm investors and apprised the market of the progress of negotiations with the IMF, proved supportive. However, with the rising demand amidst the limited supplies, the local unit changed course to close the week lower against the three major trading currencies.

USDGHS: The USD is on the bounce, appreciating against global and EMDE currencies as the Fed's hawkish stance has lifted the 182-day T-bill yield above the 10-Year UST benchmark. The combination of a firmer USD and elevated demand depressed the cedi, with our reference interbank Cedi retail rate closing the week 1.4% weaker vs the USD (-40% YTD), while the BoG's reference rate closed 0.66% weaker (-37.47% YTD).

GBP/GHS: The GBP eased to a record low at last week's opening following the inflation-enforcing tax measures. However, the GBP trimmed its losses after the Bank of England (BoE) pledged to purchase unlimited quantities of longer-dated bonds but closed the week with a net depreciation. Regardless, the local unit ceded 2.68% and 1.23% to the GBP on the interbank and retail markets, respectively.

EUR/GHS: The Euro traded lower vs the USD following a surge in inflation in the Eurozone to 10%, reinforcing concerns about a near-term recession. The European Central Bank (ECB) could respond with another significant rate hike in Oct-22, which poses a further downside risk to growth. The GHS closed weaker, ceding 1.51% vs the Euro on the interbank market last week.

The onset of seasonal FX demand pressures and the bearish market sentiments could further weaken the USDGHS pair in Q4 2022, pending a breakthrough in negotiations with the IMF. However, the anticipated cocoa syndication loan of about US\$1.3bn, despite the delayed closure of the deal, could provide a temporary respite in Q4 2022.

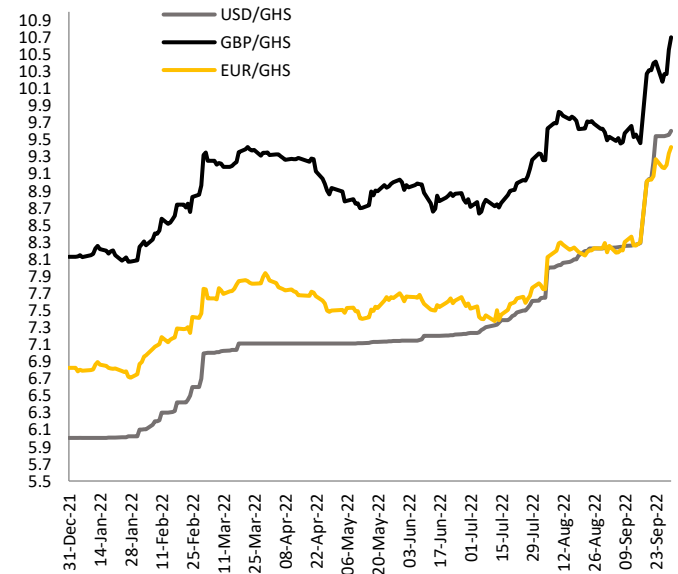
Egypt: Declining Net Foreign Assets Amidst Continuous Portfolio Reversals Weaken Liquidity Support for the EGP

FX liquidity support for the Egyptian Pound continues to dwindle, exposing the EGP to near-term vulnerabilities amidst continuing portfolio reversals.

According to the financial sector data from the Central Bank of Egypt (CBE), the Net Foreign Assets (NFAs) for Aug-22 declined for the tenth time in eleven months. Egypt recorded a wider deficit Net Foreign Assets (NFAs) balance of US\$19.73bn (-US\$924 million in Aug-22), reflecting a widening trade deficit, increasing external debt service obligations and continuous portfolio reversals.

With this dwindling FX liquidity support due to portfolio reversals, the EGP remains on the back foot, closing the last week with a net depreciation of 19.6% YTD (-0.34% w/w). The FX liquidity pressures could persist through Q4 2022 as external financing conditions remain elevated, which could sustain the portfolio reversals and the Pound's bearish run.

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	5.8663	7.5839	6.6248
2022 High	9.6048	10.7017	9.4147
Average (YTD)	6.8979	8.7675	7.4428
Current Rate	9.6048	10.7017	9.4147

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%

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