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### Ghana: Cedi stabilizes Broadly Across Market Segments, But Vulnerabilities Remain

The Cedi broadly stabilized vs the USD on the interbank and the retail market segments after a sustained depreciation run from late Q3 2022. The local unit closed trading flat against the USD on the interbank reference market last week and gained 0.66% vs the USD to 15.10 (-57.02% YTD) and 0.32% vs the Euro to GHS15.75 on the retail market. However, the local unit traded 1.7% weaker vs the GBP last week, closing the week at GHS18.1

Despite the relative stability, the Cedi is vulnerable to external shocks as the current account deficit, and the overall BoP deficits widen despite the stronger trade surplus over 10Months to Oct-22. The widening current account deficit and overall BoP deficit reflect the increased portfolio reversals due to risk aversion and the higher import bill, which quickened the rate of reserve depletion throughout the year. Consequently, the gross FX reserves ended Oct-22 at US\$6.5bn (2.9 months of import|-61.5% y/y). While the BoG's latest regulatory enforcements have contributed to the relative stability, they are temporary interventions that may not be sustained. Thus, the Cedi remains vulnerable to seasonality pressures going forward.

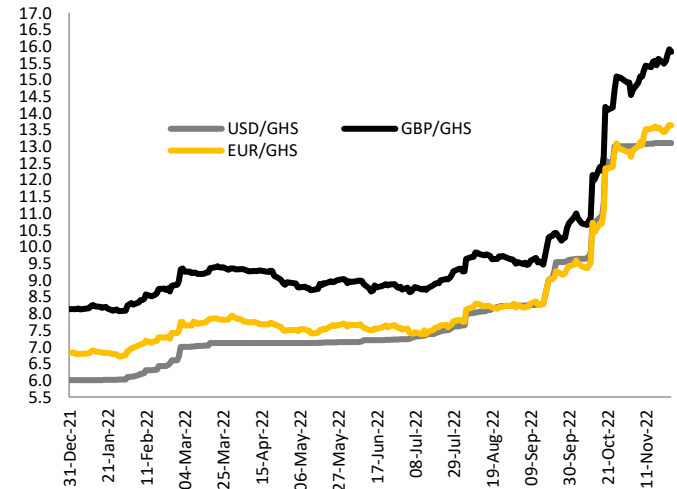
**USD:** Last week, the greenback slid through a holiday-impacted week following a perceived dovish tilt from the minutes of the Fed's last policy meeting. However, the zero-case COVID-19 policy in China, which has prolonged the lockdown in China, the resultant protests and the increasing global growth concerns continue to give the USD a tailspin. The USD opened the week firmly ahead of the Q3 2022 GDP numbers and PCE inflation at midweek. We expect the USD to be data-driven beyond midweek.

### Egypt: EGP Under Pressure Following Devaluation as FX liquidity shortage Deepens

The Egyptian Pound remains under considerable pressure following the devaluation of the Egyptian Pound in the lead-up to securing a deal with the IMF. The EGP could extend the weak run through the coming weeks, pending the anticipated funding from regional and international partners.

Despite the start of the IMF program, Egypt has pronounced debt vulnerabilities, continuing to keep bond investors out of the economy. The interest payment is expected to consume about 40% of the total revenue expected in 2023 amidst a pronounced FX scarcity. With the muted appetite for local currency and foreign currency-denominated debts, the Pound, trading around EGP24.5/US\$, could continue to weaken with even wider spreads on the parallel market in the coming weeks.

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>	5.9122	7.5839	6.6296
<b>2022 High</b>	13.1446	15.9112	13.6436
<b>Average (YTD)</b>	7.8636	9.6859	8.2697
<b>Current Rate</b>	13.1051	15.8323	13.6309

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.50	0.00%	25.29	0.00%	29.12	0.00%
Ghana	13.11	0.00%	13.63	-0.85%	15.83	-1.33%
Kenya	122.79	-0.58%	127.08	-0.33%	148.03	-1.73%
Nigeria	443.87	-0.20%	461.45	-0.38%	536.64	-1.60%
S. Africa	17.08	1.79%	17.80	1.11%	20.68	0.01%
Tanzania	2308.49	0.00%	2401.06	-0.47%	2798.1	-2.15%
Uganda	3739.50	-0.11%	3891.06	-0.84%	4538.3	-3.05%
Zambia	15.42	-1.69%	17.53	-1.67%	20.12	-1.62%

Source: Bank of Ghana | GCB Capital Research

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