

Ghana: Cedi Extends Resilient Run for the Second Consecutive week but Renewed Pressures are beginning to Emerge.

The Cedi held its own against the major trading currencies on both the retail and the interbank market, posting a net appreciation w/w despite the re-emergence of demand pressures from corporates.

The local unit returned an appreciation of 1.01%, 4.56% and 3.04% against the USD, GBP, and Euro, respectively, on the retail market amidst sustained FX liquidity from the Bank of Ghana. The interbank average reference rate also showed signs of resilience, with the Cedi largely stable against the USD and gaining 0.37% and 2.53% against the Euro and the GBP, respectively. However, Cedi's performance beyond midweek showed signs of re-emerging pressures as the local unit retreated against the USD under firm demand pressures from local Corporates.

We believe seasonal FX demand pressure may be gaining momentum. At the same time, the lingering market uncertainty and the new SEC directive on a change in the method valuation for Collective Investment Scheme (CIS) could rekindle speculative pressures on the market from now on, which could peg the Cedi on the backfoot.

USD: The FED delivered another 75bps hike at the November 2022 meeting as the hawkish undertone continued fueling a dollar rally against most major trading currencies last week. However, the increased unemployment rate later in the week capped the USD's gain, with the greenback ceding 2% against the basket of G-20 currencies at the week's close.

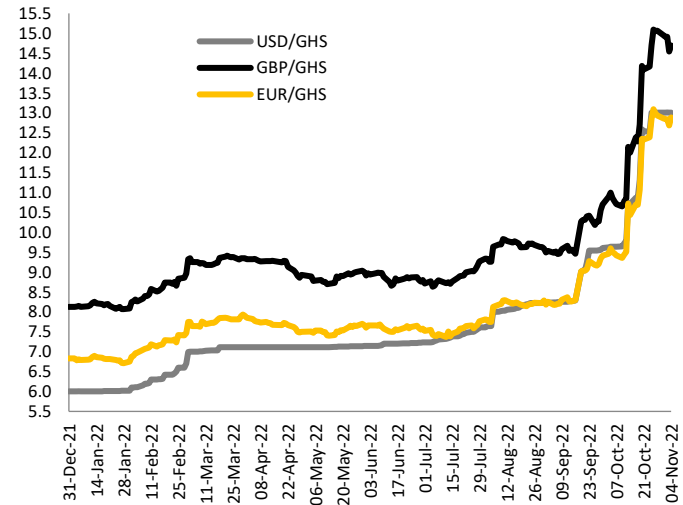
GBP: The Bank of England indicated in its Nov-22 Monetary Policy Report that the anticipated recession could be deeper than expected. The news kept the market on edge as investors revised their rate outlook, with the GBP edging lower against the USD last week.

Nigeria: USDNGN FX rate Almost Doubles on the Parallel Market Relative to the Official Market Amidst Acute FX Shortage

Nigeria's acute FX liquidity shortfall continues to manifest in surging exchange rates on the parallel market. The Naira closed trading on the parallel market at ₦900/US\$ last week, almost twice the USDNGN exchange rate quoted on the official market. The GBPNGN pair also closed the week at ₦1005/US\$, which is more than twice the official rate.

The elevated FX demand in the under-served "unofficial markets" has created a significant backlog of FX demand, undermining free capital flow out of Nigeria. Consequently, the Emirates airline has suspended Nigeria flights for the second time since Sept-22 due to the inability to repatriate ticket sales. The acute dollar shortage could douse offshore investor appetite for NGN-denominated debts amidst the reduced risk appetite. We expect the sliding parallel market rates to reinforce inflation and erode real returns on NGN-denominated financial assets.

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	5.9015	7.5839	6.6248
2022 High	13.0094	15.0936	13.0918
Average (YTD)	7.4427	9.2453	7.8771
Current Rate	13.0070	14.6948	12.8857

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.27	-0.90%	24.18	-0.87%	27.61	1.15%
Ghana	13.01	0.01%	12.88	0.37%	14.69	2.53%
Kenya	121.50	-0.15%	118.85	2.35%	136.90	2.74%
Nigeria	439.76	-0.40%	430.79	1.94%	492.71	2.90%
S. Africa	18.30	-1.06%	17.88	0.68%	20.53	1.50%
Tanzania	2308.25	0.00%	2260.93	2.08%	2586.3	3.25%
Uganda	3786.35	0.53%	3738.13	2.32%	4340.2	1.73%
Zambia	15.42	-0.56%	15.84	1.75%	18.16	2.86%

Source: Bank of Ghana | GCB Capital Research

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