

Ghana: Resurgent Corporate FX Demand Pegs the Cedi on the Backfoot.

The Cedi pared some of its gain vs the USD last week, ending its short resilient run amidst renewed FX demand pressure, mostly from local corporates. The local unit lost 1.33% against the USD w/w to close the week at GH¢15 on the retail market. The Cedi was also 4.53% and 5.49% weaker vs the GBP and the Euro, respectively, at the week's close.

We believe the seasonality effects kick in with the growing import demand ahead of the Yuletide season, underpinning the firm demand on the domestic FX market. With the first tranche of the Cocoa loan worth US\$790 million disbursed, the Bank of Ghana has sustained sizeable liquidity support on the spot market over the last fortnight. Additionally, the latest round of the BDC's forward FX auctions closed with US\$60 million allotted on 30-day currency forwards at GH¢13.31/US\$.

Following the successful T-Bill auction last week, which mopped up liquidity from the Nov-22 2-Year note in the preceding week, we expect the Cedi to continue a steady path going forward, driven by the underlying seasonality effects. Investors are now looking forward to progress in negotiations with the IMF, clarity on debt treatment and guidance from the 2023 budget slated for the 24th or 25th of November to determine the next steps.

USD: Last week, the cooler-than-expected US inflation print triggered a steep sell-off that put the USD in a tailspin. Consequently, the dollar index shaved off 4% last week, the worst decline in more than two years but could trade steady in the week ahead as Fed officials indicate resolve to tame inflation.

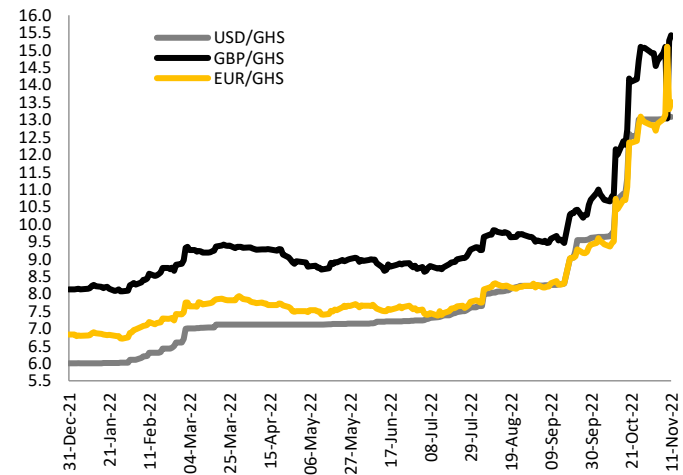
GBP: Investors appeared to have discounted the 0.2% GDP contraction recorded last week, with the GBP posted gains vs the USD, supported by the softer inflation print in the US and the 75bps hike in the policy rate to 3%. However, the British economy may further contract through 2023 amidst the energy crisis in Europe, which could peg GBP back.

Nigeria: Naira Could Remain Volatile on the Unofficial Market Due to Scarcity of FX Supplies

Following the sharp decline in the USD NGN exchange on the parallel FX market to an all-time low of ₦900/US\$ a fortnight ago, the Naira recovered suddenly to ₦680/US\$ along the week before reversing the gains to close the week around ₦890/US\$. The drastic improvement earlier in the week reflects improved FX liquidity interventions from the Central Bank of Nigeria on the various market segments, which eased demand from the parallel market.

While the Naira is relatively stable on the official window at ₦440.96/US\$ (-6.34% YTD), it is trading at almost 90% apart on the underserved unofficial market segments, contributing significantly to the inflationary pressure. With the depressed oil revenues and the increasing portfolio reversals due to investor uncertainty ahead of the presidential elections in Feb-23, the Naira could remain on the back foot in the unmanaged market segments.

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	5.9025	7.5839	6.6248
2022 High	13.1446	15.4263	15.0972
Average (YTD)	7.5827	9.3776	8.0098
Current Rate	13.0759	15.4263	13.5147

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.42	-0.62%	25.29	-4.38%	28.91	-4.48%
Ghana	13.08	-0.52%	13.51	-4.66%	15.43	-4.74%
Kenya	121.78	-0.23%	122.20	-2.74%	139.92	-2.16%
Nigeria	440.96	-0.27%	438.80	-1.83%	502.17	-1.88%
S. Africa	17.28	5.88%	17.71	0.97%	20.27	1.29%
Tanzania	2308.35	0.00%	2374.37	-4.78%	2714.9	-4.74%
Uganda	3762.46	0.63%	3787.84	-1.31%	4350.7	-0.24%
Zambia	15.42	-0.90%	16.90	-6.24%	19.32	-6.02%

Source: Bank of Ghana | GCB Capital Research

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