

Ghana: Cedi Regains Fair Stability Amidst Liquidity Boost as the BoG Commit to Liquidity Support as the IMF Negotiations Advance.

The Cedi regained fair stability on the retail market last week following a liquidity boost from the disbursement of the first tranche of the 2022/23 cocoa loan worth US\$790 million.

We note that the president of the republic and the Central Bank also engaged FX market operators last week with a renewed commitment to strictly enforcing market conduct regulation. Following these meetings, the local unit strengthened slightly, appreciating from a peak of GHS15.7/US\$ to close the week at GHS14.95/US\$ (+5.02% since midweek |+0.33% w/w).

The interbank rate has since stabilized at GHS13.01/US\$ (-53.83% YTD), which could be the new support level in the coming weeks as the BoG pledge liquidity support for the Cedi amidst the ongoing negotiations with the IMF for a balance of payments support.

USD: Ahead of the Fed's policy meeting later this week, the domestic data point to heightened underlying inflationary pressure and bets on the Fed's aggressive stance have cooled off. We expect the USD to advance in the week ahead on these expectations.

GBP: The GBP rose against the USD and other major currencies last week despite the delayed presentation of the revised economic plan. The market welcomes Rishi Sunak as the new Prime Minister of Britain, whose policy proposals could depart from Liz Truss's budget proposals.

EURO: The Eurozone's flash inflation and GDP data are expected this morning which should set the tone for the Euro ahead of a busy week dominated by major central bank policy decisions.

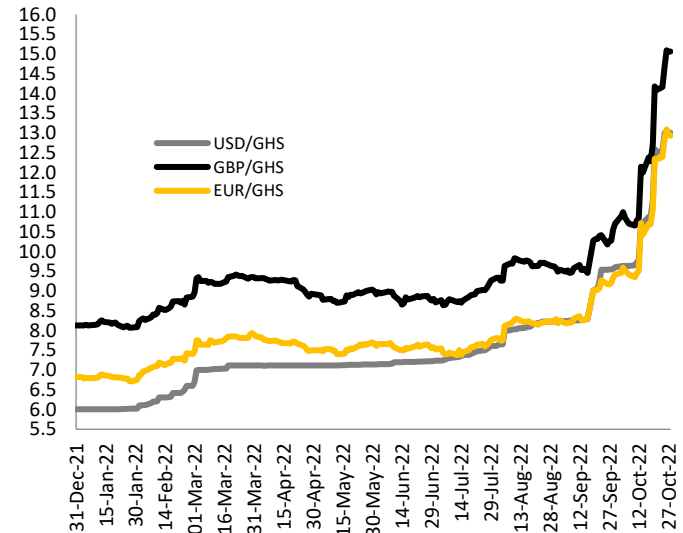
Egypt: The 48-Month IMF Deal Ushered in Flexible Exchange Rate Regime

The government of Egypt sealed a US\$3bn, 48-month program with the IMF last week supported by the Extended Fund Facility (EFF). The deal is expected to catalyze multi-year financial support from regional and international partners and could rake in an additional US\$5bn by the end of 2023.

Among other structural reforms expected throughout the program, Egypt has switched to a flexible exchange rate regime. This exchange rate reform is required to strengthen Egypt's international competitiveness and rebuild and safeguard external resilience over the long term. Consequently, the EGP weakened sharply by 14.50% initially and closed the week at EGP24.5/US\$ (-18.19% w/w |-34.66% YTD) after the authorities indicated a move to a "durably flexible" exchange rate regime.

We deem the currency adjustments appropriate and believe the Pound is near its fair value. We now expect Egypt to gradually remove all quantitative controls from the previous exchange rate regime, including the mandatory requirement for importers to use letters of credit. Thus, the USDEGP could remain under pressure in the days ahead until the external sector imbalances are reasonably corrected.

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	5.9004	7.5839	6.6248
2022 High	13.0093	15.0936	13.0918
Average (YTD)	7.3038	9.1139	7.7604
Current Rate	13.0091	15.0665	12.9326

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.05	-18.2%	23.97	-19.0%	27.93	-20.4%
Ghana	13.01	-3.68%	12.93	-4.64%	15.07	-6.47%
Kenya	121.31	-0.15%	121.64	-2.43%	140.65	-2.98%
Nigeria	438.00	-0.28%	439.14	-2.39%	506.99	-3.02%
S. Africa	18.10	1.44%	18.00	-0.31%	20.84	-1.72%
Tanzania	2308.27	0.00%	2308.04	-1.99%	2670.4	-2.61%
Uganda	3806.39	0.16%	3824.75	-2.43%	4415.3	-2.77%
Zambia	15.42	-0.95%	16.12	-2.95%	18.68	-4.49%

Source: Bank of Ghana | GCB Capital Research

Research Contacts

Courage Kwesi Boti
Economist/ Research Lead
+233302945848 | +233302945838
ckboti@gcb.com.gh

Fund Management Contacts

Afua Akyaa Osei
Vice President, Fund Management
+233302945848 | +233302945838
aaosei@gcb.com.gh

Advisory & Capital Markets Contacts

Baffour Agyarko Kwakye
Vice President, DCM
+233302945848 | +233302945838
bakwakye@gcb.com.gh

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@gcb.com.gh

Michelle Nana Ohenewaa Kitson-Amoah
Associate, DCM
+233302945848 | +233302945838
mnodadey@gcb.com.gh

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49 Ndabaningi Sithole Rd

Labone, Accra