

December 5, 2022

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Ghana: Cedi Extends Positive Run Against the Major Trading Currencies Amidst Emerging Risks in the Near Term.

The Cedi extended the positive run, recording strong appreciation across the three major trading currencies in the retail market last week. The Cedi traded 2.37% stronger vs the USD and gained 2.55% and 2.94% against the GBP and the Euro on the retail market. Against the interbank reference rate, the Cedi was relatively unchanged against the USD with the continuous liquidity support from the Bank of Ghana and the calming market sentiments, supporting the Cedi to stability across the various market segments.

Following the announcement of the domestic debt exchange program, however, FX demand pressure could re-emerge in the coming weeks as investors seek avenues to channel cedi liquidity into other stable currencies. Given the deep interest haircut and the significant tenor extension on all government notes and bonds, we do not anticipate new debt offerings on the market in the near term. Thus, the domestic investor may be seeking Hard Currency investment alternatives with other sovereigns, which could pressure the local unit. In the meantime, however, the regular market surveillance from the BoG and the spot market liquidity operations should keep the Cedi afloat as negotiations with the IMF advance for a Balance of Payment support.

USD: After a bearish run-through last week, the greenback could be headed for a strong week ahead, supported by upbeat US jobs data last Friday and the impressive Services sector activity headlining the rebound. The strong economic data has encouraged bets that the US Fed may sustain the hawkish monetary stance, with gold and other safe-haven assets retreating against the USD at the start of the week.

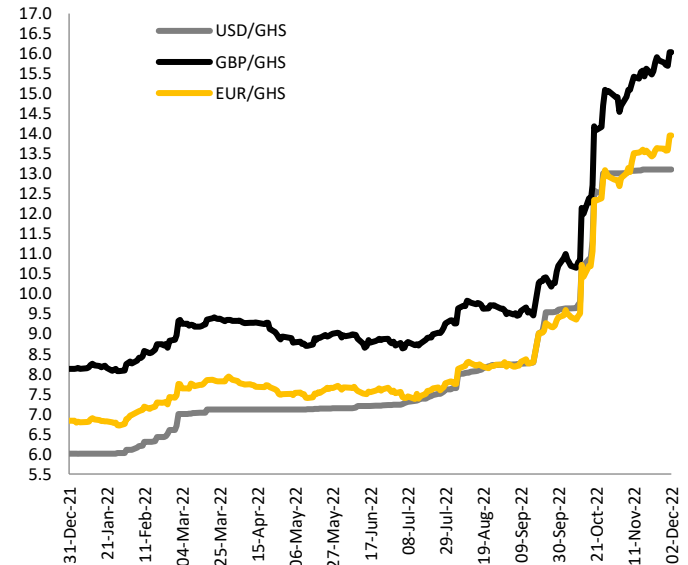
Nigeria: Naira Regains Stability on the Parallel Market Supported by the Hawkish Monetary Policy Stance.

The Naira appear to have regained stability on the parallel market in recent weeks following a prolonged period of sharp volatility through October and November accentuated by acute FX scarcity.

After touching NGN 900/US\$ in November, the USD/NGN pair eased to around NGN740/US\$ in recent weeks and stabilised around that level. The MPC's continuous hawkish stance amidst the heightened inflation risks may have calmed market sentiments, thereby increasing the appeal of Naira-denominated assets.

While the official rate remains at a distant NGN444.54/USD and is supported by the CBN, the relative stability in the underserved parallel market segment bodes well for general price stability ahead of the Yuletide. While we flag an uptick in FX demand around the festive season and a potential surge in speculative FX demand as near-term risks to currency stability, the prevailing policy environment could limit speculative pressures.

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	5.9182	7.5839	6.6550
2022 High	13.1446	16.0353	13.9546
Average (YTD)	8.0040	9.8415	8.4074
Current Rate	13.1039	16.0353	13.9546

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.59	-0.37%	25.92	-2.40%	30.22	-3.64%
Ghana	13.10	0.01%	13.74	-0.79%	16.04	-1.27%
Kenya	122.53	0.21%	128.33	-0.97%	149.36	-0.89%
Nigeria	444.54	-0.15%	541.72	14.82%	464.46	15.54%
S. Africa	17.50	-2.40%	18.44	-3.49%	21.49	-3.76%
Tanzania	2308.59	0.00%	2430.8	-1.22%	2833.8	-1.26%
Uganda	3729.88	0.26%	3939.6	-1.23%	4577.5	-0.86%
Zambia	15.42	-1.27%	18.07	-2.96%	21.06	-4.43%

Source: Bank of Ghana | GCB Capital Research

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