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Ghana: Cedi Rallies to GHS8/US\$ following the SLA with the IMF

The Cedi continued the sharp correction against the major trading currencies last week, gaining 56.95%, 58.18% and 55.80% versus the USD, the GBP and the Euro, respectively, on the interbank reference market. The sharp appreciation extends the Cedi's wild correction over a fortnight, trimming the YTD loss against the USD to 24.94% (from 54.17%) on the interbank market. The Euro (-19.56% YTD from -51.07%) and the GBP (from 51.07%) also strengthen sharply over the two weeks, with similar trends in the retail market.

With the Cedi stabilizing around GHS15 after the wild run of depreciation, it appears the clarity on debt restructuring, the Staff-Level Agreement (SLA) with the IMF, and regulatory interventions from the Bank of Ghana triggered speculative selling and profit-taking. The anticipated seasonality effects around the Yuletide season are also non-existent as importers acted early between September and early Q4 2022, which reinforced the depreciation through October and November. Thus, we believe the enhanced CB liquidity intervention, the inflow of remittances, tourism receipts around the Yuletide, and the improved FX offers from speculators following the SLA underscore the Cedi's appreciation.

We expect the Cedi to stabilize in the coming days, supported by improved liquidity. The imminent IMF programme will unlock concessional financing to support FX reserve build-up to anchor Cedi stability.

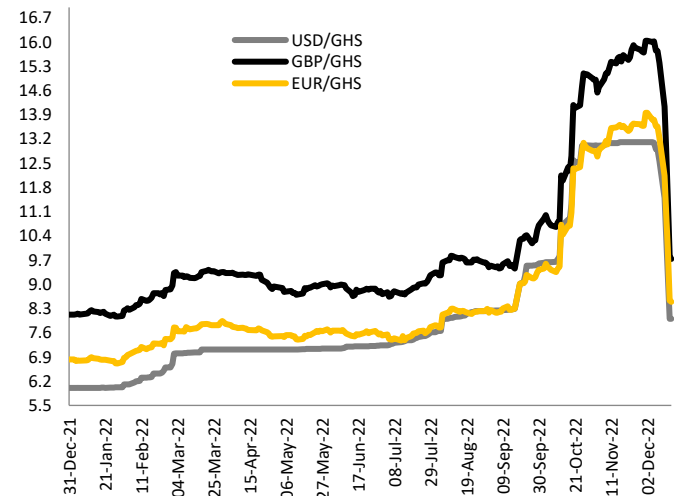
Egypt: IMF Board approval secured; unlocks US\$5bn in additional funding

The Executive Board of the IMF approved a 46-Month US\$3 billion Extended Fund Facility (EFF) for the government of Egypt last week following a Staff-Level Agreement on Oct-22. The approval paves way for the immediate disbursement of Special Drawing Right (SDR) worth 261.13 million (about US\$ 347 million) to Egypt towards a balance of payment and budgetary support.

The IMF noted that the heavily managed exchange rate regime had created imbalances that led to the loss of the Central Bank (CB) and commercial banks' foreign currency assets and currency rationing. These obvious external sector imbalances have forced the CB into multiple Pound devaluations, while the resultant uncertainty undermined consumer and investor confidence. While the shift to a flexible exchange rate regime has created a sizeable external financing gap, part of the reforms under the programme will target avoiding the build-up of these imbalances and build-up the CB's stock of FX reserves.

To close the immediate external financing gap, Egypt has secured additional funding worth US\$5bn from development partners and the sale of the equity stake in some SOEs for the 2022/23 fiscal year as part of a broader private sector-led economic agenda. This financing and the US\$347 million disbursed under the programme should improve FX liquidity conditions and narrow the spreads between the official and the parallel market segments. Additionally, the formal start of the programme could further unlock investor interest for EGP-denominated assets, which should ultimately anchor the Pound's stability.

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	5.9391	7.5839	6.7109
2022 High	13.1446	16.0353	13.9546
Average (YTD)	8.2091	10.0702	8.6075
Current Rate	8.0012	9.7331	8.4887

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.70	-0.29%	26.14	-0.78%	29.99	0.65%
Ghana	8.00	59.87%	8.49	55.80%	9.73	58.18%
Kenya	122.99	-0.37%	130.63	-1.16%	151.81	-1.39%
Nigeria	445.82	-0.19%	473.37	-1.37%	548.85	-1.51%
S. Africa	17.35	-1.08%	18.46	-1.82%	21.44	-2.03%
Tanzania	2308.73	0.00%	2452.80	-1.19%	2800.4	0.24%
Uganda	3661.58	0.76%	3898.12	0.15%	4469	1.34%
Zambia	15.42	0.00%	18.33	0.00%	21.33	0.00%

Source: Bank of Ghana | GCB Capital Research

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