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Ghana: Momentum Stalls as the Cedi Pared some Gains during the Festive week

Following the three-week bullish run characterized by sharp Cedi appreciation on both the interbank and the retail market segments, the Cedi reversed course, paring some gains to close the festive week tamer.

The local unit shaved off 3.63% against the USD on the Interbank market and closed 3.78% and 2.92% weaker against the Euro and the GBP. Our retail reference rate also recorded 19%, 19% and 20% depreciation against the USD, the GBP and the Euro, respectively. Thus, the Cedi closed trading last week with a cumulative depreciation of 48% YTD on the retail market and 27% YTD on the interbank market versus the USD.

We believe these sharp swings in the domestic FX market depict the uncertain demand and supply conditions, with the market particularly responding to the interest suspension on external debts. The delayed conclusion of the Domestic Debt Exchange (DDE) programme, a prior action, could delay the IMF Board's approval. Thus, we expect the exchange rate to be news-sensitive, with the long-standing structural bottlenecks and the severely dented market sentiments remaining potential volatility triggers.

However, the official commencement of the IMF-supported programme should unlock other financing options, supporting the Cedi over the medium term. These concessional financing options, the anticipated interest savings from debt restructuring, and the FX management interventions being rolled could also anchor Cedi stability over the medium term.

Egypt: Acute FX shortage triggers demand for gold in Egypt, but we expect the aggressive monetary policy stance could improve portfolio inflows

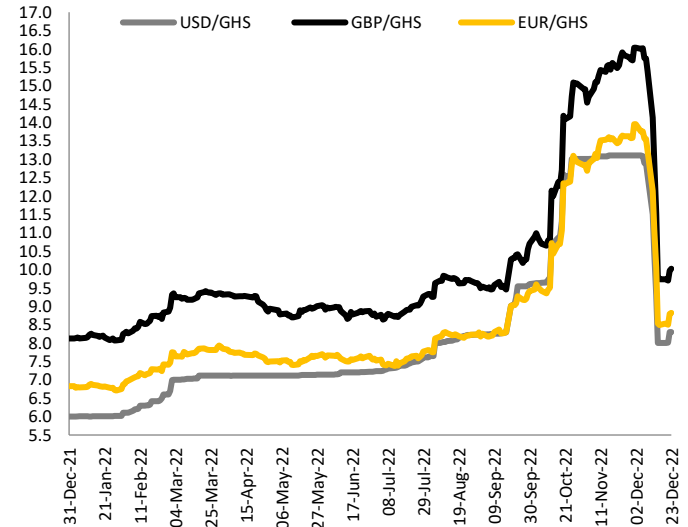
The Egyptian Pound continued its bearish run against the major trading currencies following the two rounds of devaluations that ushered in the flexible exchange rate regime.

Unanticipated shocks from COVID-19 and Geo-politics worsened fiscal and macroeconomic uncertainties resulting in widespread portfolio reversals from Egypt. While we expect the official start of the IMF programme and the accompanying reforms to anchor currency stability ultimately, the Pound remains on the back foot amidst the tight FX liquidity conditions.

The Pound closed trading last week 0.11% weaker versus the USD (-36.42% YTD) on the interbank market and the acute FX shortage. The depreciating currency appears to be boosting investor demand for gold on the local market, which underpins the rally in gold prices on the domestic market.

Meanwhile, the Central Bank of Egypt raised the rates of its main operations by a further 300bps last week in response to the resurgent inflation run. With the policy support from the IMF now in place, the rising policy rate, besides controlling the demand-side pressures and the second-round effects of inflation, could slow down portfolio reversals and potentially unlock inflows into EGP-denominated 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	5.9624	7.5839	6.7109
2022 High	13.1446	16.0353	13.9546
Average (YTD)	8.2515	10.1079	8.6448
Current Rate	8.3030	10.0263	8.8225

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.72	-0.11%	26.25	-0.41%	29.82	0.57%
Ghana	8.30	-3.63%	8.82	-3.78%	10.03	-2.92%
Kenya	123.21	-0.18%	130.93	-0.23%	148.54	2.20%
Nigeria	446.63	-0.18%	473.87	-0.11%	540.65	1.52%
S. Africa	17.11	1.37%	18.14	1.73%	20.63	3.92%
Tanzania	2308.85	-0.01%	2454.43	-0.07%	2776.6	0.86%
Uganda	3692.33	-0.83%	3934.91	-0.94%	4465.9	0.07%
Zambia	15.42	0.00%	18.33	0.00%	21.33	0.00%

Source: Bank of Ghana | GCB Capital Research

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