

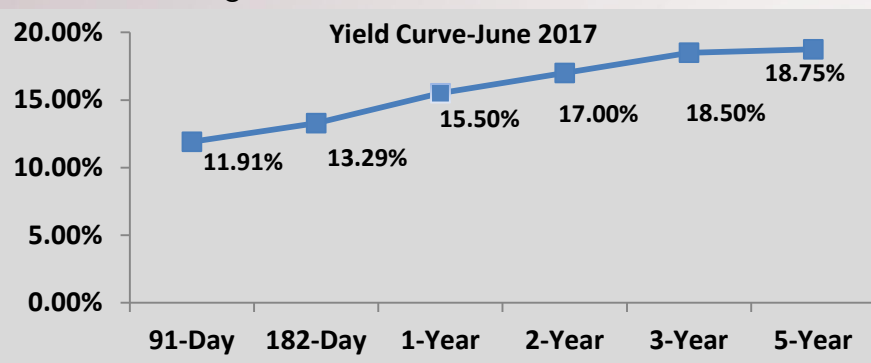


Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates			
Bills & Notes	12-June-17	05-June-17	Change
91- Day	11.91%	12.39%	-0.48%
182- Day	13.29%	13.77%	-0.48%
2-Year Note	17.00%	19.95%	-2.95%

Key Economic Indicators	2017 Target
GDP Growth	6.3%
Inflation	11.2%
Import Cover	≥3 Months

The average lending rate of Banks has dropped by 20bps to 26.60% between April and May 2017. The gradual decline is attributed to the monetary easing stance of the BoG at its recent sittings. Generally the pass-through effect appears delayed and slow due to similarly lagged impact on other metrics such as deposit costs. It is noted that anticipated decline in rates can only persist if it is more than matched by significant drop in inflation, currently 12.60% because the real return will be negative.



The downward spiral of yields continued at last week's auction. The anomaly in the yield curve was rectified, with the 2-year note shedding 295 basis points to clear at 17%, below the 18.50% mark recorded for the recent 3-year issue. The 91-day and 182-day treasury bills shed 48bps to clear at 11.91% and 13.29% compared to 12.39% and 13.77% recorded last week. During the same period last year, yields on 91 and 182-day treasury bills stood at 22.81% and 24.69% respectively showing the sharp decline in rates. With inflation then at 18.40%, real return has shrunk from 4.41% and 6.29% to (0.69%) and 0.69% for 91 and 182-day treasury bill respectively, making investment in GoG treasury bills unattractive. Trade volumes on CSD scaled down by 39.16% to GHS139 million after peaking at GHS228 million following the 3-yr bond issue a few weeks ago. The recent 3-yr paper was the most appreciated security this week as market traded GHS22.86 million at yield of 18.15%-18.30%.

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Maturity Date	Security Type	Offer
19-Feb-18	1-Year Note	16.20%
6-May-19	2-Year Note	17.30%

CCY Pair	Buy	Sell
USD/GHS	4.2100 – 4.2300	4.4070– 4.4090
GBP/GHS	5.3100 – 5.3300	5.6450– 5.6470
EUR/GHS	4.6600 – 4.6800	4.9750– 4.9770

The USD/GHS pair traded at 4.3213, up by 282 pips as USD inflow from the 3-year bond was fully used. The Cedi also depreciated marginally against the Euro, shedding 27 pips to close the week at 4.8329. However, the Cedi benefited from the uncertainties surrounding a hung UK parliament, gaining 487 pips against the Pound to close the week at an exchange rate of 5.5011 from a previous rate of 5.5498.

Deposit Rates	
Tenor	Rates
O/N	5.00%
1 Month	8.00% - 10.00%
3 Months	10.00% - 12.00%
6 Months	12.00% - 14.00%
1 Year	14.00% - 15.00%
Average Inter-Bank Rate	22.10%
GTBank Base Rate	24.77%

The overnight interbank lending rate continued its downward streak as liquidity surged on the money market. It shed 10bps to settle at 22.10% against 22.20% recorded last week. We foresee the average lending rate trending around 22.05%-22% in the ensuing week as money supply continues to exceed demand.

CCY Pair	12-June-17	05-June-17	Change
GBP/USD	1.2729	1.2901	-0.0172
EUR/USD	1.1193	1.1251	-0.0058
USD/JPY	110.35	110.44	-0.09
USD/CHF	0.9692	0.9628	+0.0064
Market Commodities			
Gold	1,265.99	1,293.70	-27.71
Oil (Brent)	48.50	49.57	-1.70
Cocoa	2,081.00	1,977.00	+104.00

On the international currency market, due to the huge political and economic uncertainty in the UK, Sterling steadied as UK's Prime Minister, Theresa May scrambled to pick up the pieces and re-unite her Conservative Party after a disastrous election that could disrupt Brexit negotiations. The US Dollar gained 172 pips and 58 pips against the Pound and Euro to close the week at 1.2729 and 1.1193 respectively.

On the commodity market, oil prices fell by about 3 percent following concerns that the cutting of ties with Qatar by top crude exporter, Saudi Arabia and other Arab states could hamper a global deal to reduce oil production. Brent crude oil shed \$1.70 to close the week at \$48.50. Oil prices are therefore expected to remain volatile around current levels. Cocoa extended its gains by \$104.00 to close the week at \$2,081.00 whilst gold slumped to \$1,265.99 after losing \$27.71.

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