

Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates

Bills & Notes	28-Nov-16	21-Nov-16	Change
91- Day	18.61%	20.43%	-1.82%
182- Day	20.91%	22.50%	-1.59%
1-Year Note	22.25%	22.25%	-

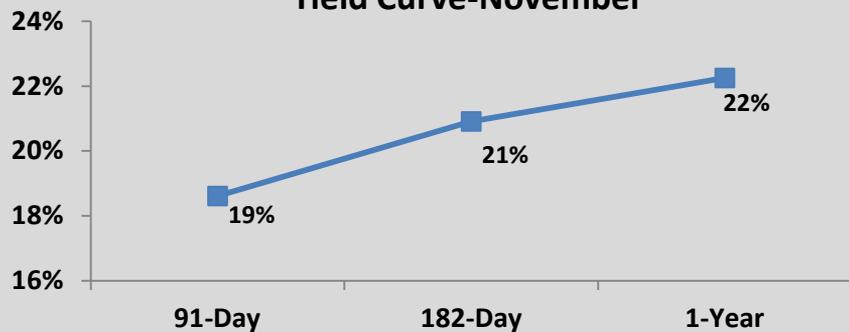
Key Economic Indicators

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GDP Growth	5.4%
Inflation	10.1%
Import Cover	≥3 Months

The Bank of Ghana (BoG) has made an appeal for the elimination of stability agreements in the mining sector in order to increase the revenue accruing to the state. The practice where the tax obligations of mining companies are waived for investment purposes denies the country of some benefits. The stability agreement when eliminated will reduce significantly the amount of export earnings repatriated yearly.

The Central Bank commenced its Dollar auctions to commercial banks today. The auction is part of measures to stabilize the Cedi. Part of \$1.8 billion proceeds from the cocoa syndicated loan was auctioned with a target volume of \$40 million. The Central Bank is expected to release \$60 million in three separate auctions. The auction which is open to only authorised Foreign Exchange (FX) Dealing Banks is however limited to the purchase and sale of Dollar against the Ghana Cedi. Some leading economists argued this will impact positively on the FX market in the short term. However, they downplayed its sustainability in the long run.

Yield Curve-November



The Bank of Ghana (BoG) is clinging firm to its policy of rate reduction as yields on short-term government securities recorded another significant decline at last week's auction. The 91-day treasury bill and 182-day treasury bill dipped gravely as they shed 182 and 152 basis points to close the auction at 18.61% and 20.91% respectively. The 1-year note also steadied at 22.25%. Based on the government's rate reduction policy, our outlook for the coming week is a further decline.

Indicative Local Market Rates

CCY Pair	Buy	Sell
USD/GHS	3.9700 – 3.9900	4.1650 – 4.1660
GBP/GHS	4.9600 – 4.9800	5.2150 – 5.2160
EUR/GHS	4.2000 – 4.2200	4.4370 – 4.4380

After a sustained period of stability this year, the Cedi has started depreciating. There has been a recent surge in foreign exchange demand without a corresponding supply-side increase. The Cedi lost 21 pips to the Dollar to trade at 3.9799 on the inter-bank market. However, the Pound and the Euro shed 286 and 145 pips to close the week at a mid-rate of 4.9385 and 4.2130 respectively.

The festive season is gradually having its toll on the Cedi's performance as demand for imports rise. Also, the dwindling fortunes of the Cedi is partly ascribed to the activities of speculators who want to cash in on the uncertainties surrounding the elections. In our view, the Cedi is likely to experience slight depreciation in the coming weeks as long as foreign exchange supply does not improve beyond current levels.

Deposit Rates

Tenor	Rates
O/N	5.00%
1 Month	15.00% - 18.00%
3 Months	18.00% - 21.00%
6 Months	17.00% - 20.00%
1 Year	18.00% - 19.00%
BoG Policy Rate	25.50%
Average InterBank Rate	25.26%
GTBank Base Rate	25.56%

The average interbank rate fell by 25 basis points to settle at 25.26% as banks continue to be guided by the policy rate in their pricing. With liquidity on the market at an appreciable level, we expect the interbank rate to drop albeit marginally in the ensuing weeks.

CCY Pair	28-Nov-16	21-Nov-16	Change
GBP/USD	1.2468	1.2344	+0.0124
EUR/USD	1.0594	1.0581	+0.0013
USD/JPY	113.03	110.89	+2.14
USD/CHF	1.0135	1.0109	+0.0026
Commodities			
Gold	1,190.91	1,214.72	-23.81
Oil (Brent)	47.13	47.36	-0.23
Cocoa	2,402.00	2,425.00	-23.00

The British Pound has rebounded slightly as significant strides have been made to weather the Brexit mayhem. On the international market, the Pound edged up by 124 pips against the Dollar to end the week at 1.2468 compared with 1.2344 recorded last week. Similarly, the Euro also gained 13 pips against the Dollar to settle at 1.0594.

On the commodities market, oil prices slid amidst growing fear that Organization of Petroleum Exporting Countries (OPEC) could fail to freeze output when they meet later this week. Some of the leading oil exporters in OPEC are struggling to agree on a deal to cut production to reduce global over-supply. Oil prices are therefore expected to remain volatile around current levels. Cocoa and gold also tumbled as they shed \$23.00 and \$23.81 to trade at \$2,402 and \$1,190.91 respectively.

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