

Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates

Bills & Notes	01-Feb-16	25-Jan-16	Change
91- Day	22.65%	22.65%	-
182- Day	24.19%	24.45%	-0.26
1 Year Note	23.00%	23.00%	-
3 Year Fixed Rate Bond	24.75%	24.75%	-

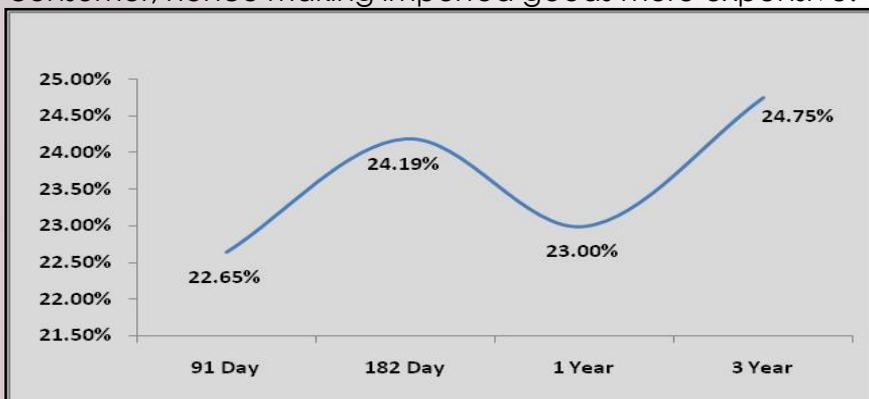
Key Economic Indicators 2016 Target

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

The recent hikes in utility tariffs and fuel prices are beginning to take a toll on pricing of goods and services in the country. Cost of living for the average Ghanaian is on the rise with news of transport fare increases by 15% and the upward revision of prices by commercial water producers.

This is seen by analysts as another blow to individuals' disposable income in a tense economic environment, which is expected to get tougher with the Cedi showing signs of further depreciation.

Meanwhile, importers have voiced out their displeasure with the implementation of the Common External Tariff (CET) on imports. While the CET's imposition has been praised by trade experts as a means of reducing smuggling, importers are of the view that they are likely to be charged more due to some already-existing tariffs. High tariffs have high-cost implications on imports and this is usually passed on to the consumer, hence making imported goods more expensive.



Government has announced the issuance calendar for its securities for the month of February 2016 indicating a GHS1.3 billion increase in borrowings. This move is likely to push interest rates upwards. In the interim, fixed income traders will sell off their papers in anticipation of interest rate hikes.

Indicative Local Market Rates

CCY Pair	Buy	Sell
USD/GHS	3.8000 – 3.8200	3.9730 – 3.9750
GBP/GHS	5.4200 – 5.4400	5.7200 – 5.7220
EUR/GHS	4.1100 – 4.1300	4.3500 – 4.3520

Demand for foreign exchange remains very high on the local market. Aside the Cedi's accelerated depreciation against the Dollar, the Pound also seems to be gathering pace against the local currency.

This is driven mainly by increased foreign exchange demand from multinational firms for repatriation in the early parts of the year.

Indicative FX Forward Rates (USD)

Tenor	Bid	Ask
Spot	3.8000	3.9730
Forward Points		
3 Months	0.1989	0.2277
6 Months	0.4401	0.4796

The Bank of Ghana has stepped up efforts to increase supply of foreign exchange on the market but that is not enough to reverse the current trend of depreciation. Our short-term outlook on exchange rates therefore remains negative.

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	26.00%
Average InterBank Rate	25.33%
GTBank Base Rate	26.75%

Average Interbank rates in the period remained at 25.33% and is unlikely to change in the short term. With the tight state of liquidity on the market, we expect interbank rates to trend upwards as inflation shows a negative outlook.

CCY PAIR	01-Feb-16	25-Jan-16	Change
GBP/USD	1.4239	1.4268	-0.0029
EUR/USD	1.0831	1.0797	+0.0034
USD/JPY	121.10	118.50	+2.60
USD/CHF	1.0226	1.0155	+0.0071
Commodities			
Gold	1,126.40	1,108.60	+17.80
Oil (Brent)	34.73	30.87	+3.86
Cocoa	2,816.37	2,933.38	-117.01

The US Dollar is fast becoming the preferred currency for most investors due to its high week-on-week performance. In contrast to the Fed rate hike in December 2015, most central banks in Europe and Asia have decided to cut interest rates, thus making the dollar more attractive for investors.

Gold bulls continue to cash in on the unconvincing performance of Oil and US stocks. Prices increased by US\$17.80 to reach US\$1,126.40 per tonne. Should this trend continue, Ghana's mining sector, which is a major contributor to the country's revenue, will see great improvement.

International Benchmark

Benchmark	Rates
1-Month LIBOR	0.42700%
3-Month LIBOR	0.61860%
6-Month LIBOR	0.86500%
1-Year LIBOR	1.14025%
US Prime	3.50%

Brent Crude Oil recovered from a low of \$27.10 quoted on 20th January to a spot price of \$34.73.

The month of January closed on a sour note for Cocoa and it is expected to be bearish in the short term due to abundance of cocoa supply on the international market.

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