

Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates

Bills & Notes	18-Jul-16	11-Jul-16	Change
91- Day	22.71%	22.78%	-0.07%
182- Day	24.63%	24.68%	-0.05%
1 Year Note	23.00%	23.00%	-
2 Year Note	24.00%	24.00%	-

Key Economic Indicators

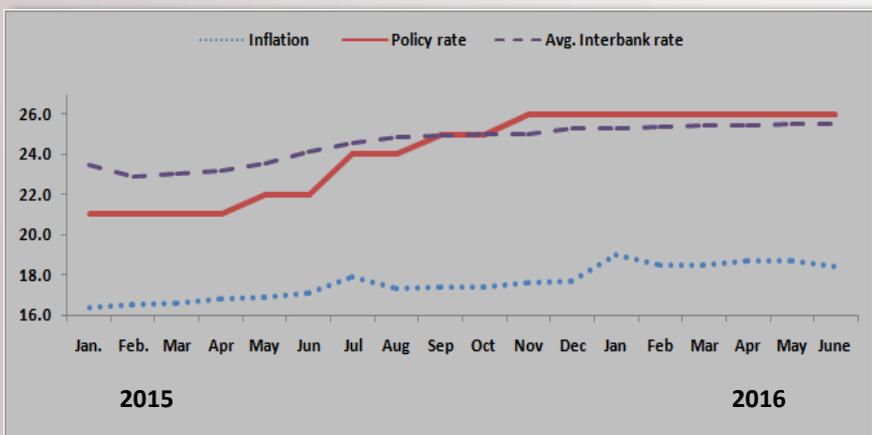
Key Economic Indicators	2016 Target
GDP Growth	5.4%
Inflation	10.1%
Import Cover	≥3 Months

The Monetary Policy Committee of Bank of Ghana this week, decided to maintain the Policy Rate at 26%. According to the Committee, the decision was informed by the fact that despite a reduction in inflation in June, prices of goods and services are forecast to increase slightly as a result of a surge in petroleum prices.

The announcement comes as a surprise to many economic analysts who were highly expectant of a drop in the Policy Rate due to a reduction in inflation. With this development, cost of credit will most likely remain unchanged.

On the fixed income market, the Central Bank has opened auction for the issuance of a 5-year fixed rate bond. The proceeds from the bond issuance are expected to settle maturing debts and support capital projects. It is widely speculated that the bond will clear at a coupon higher than the 24.50% recorded at the last issuance, due to government's inclination to borrow. Activity on the fixed income market is therefore expected to pick up from last week's low level once the bond issuance is completed this week.

Yields on short-tenored government papers dropped this week in anticipation of the said bond issuance. The 91-day and 182-day bills shed 7 basis points and 5 basis points respectively.



Indicative Local Market Rates

CCY Pair	Buy	Sell
USD/GHS	3.8600 – 3.8800	3.9740 – 3.9750
GBP/GHS	5.0400 – 5.0600	5.2560 – 5.2580
EUR/GHS	4.2100 – 4.2300	4.4050 – 4.4070

The Cedi has been relatively stable over the last week against the Dollar and Euro. Against the Pound however, the local currency appreciated slightly.

Indicative FX Forward Rates (USD)

Tenor	Bid	Ask
Spot	3.8600	3.9750
Forward Points		
3 Months	0.2018	0.2276
6 Months	0.4329	0.4853

Foreign exchange has been in relatively high supply this week as Banks received inflows from foreign investors to purchase the 5-year bond.

It is expected that supply forces will aid the Cedi to hold firm in the coming days.

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	
	25.50%
GTBank Base Rate	
	25.56%

Banks continue to lend to each other at an average overnight rate of 25.50%.

The Central Bank's decision to maintain the Policy Rate, coupled with liquidity on the market are likely to cause the average Interbank rate to remain stable.

CCY PAIR	18-Jul-16	11-Jul-16	Change
GBP/USD	1.3109	1.3246	-0.0137
EUR/USD	1.1018	1.1059	-0.0041
USD/JPY	106.11	104.69	-1.42
USD/CHF	0.9838	0.9836	+0.0002
Commodities			
Gold	1,316.55	1,339.15	-22.60
Oil (Brent)	47.02	46.79	+0.23
Cocoa	2,969.00	3,143.00	-174.00

On the international market, the Pound continues to make headlines with its volatility. It dropped further earlier this week following IMF's reduction in the UK's growth forecast for this year from 1.9% to 1.7%.

The US Dollar, on the other hand, made gains against the major currencies this week. With the uncertainty surrounding the Pound and Yen, investors appear more comfortable to pile up Dollar savings at the moment.

The Dollar's surge has resulted in a slowdown in Gold demand, pushing prices downwards. The yellow metal lost about US\$22 to close the week at US\$1,316.55.

Crude oil prices inched up mainly due to low inventory levels in the US. However, Oil bulls are not getting carried away as global supply, which is the main driver of prices, remains relatively high.

Cocoa plunged to US\$2,969.00 per metric tonne from US\$3,143.00.

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