

Monthly Market Review (October 2022)

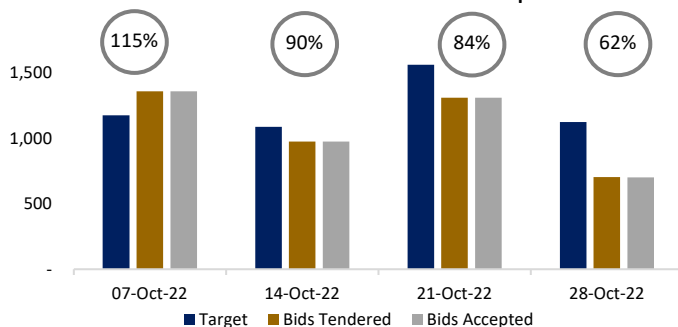
NEWS HEADLINES

- **President Nana Addo-Dankwa rules out debt “haircuts” on ensuing IMF discussions;** In his address to the Nation, the President reiterated that there will be no haircuts on investment funds of individuals, institutional investors, including pension funds, in Government instruments, as a result of ongoing IMF negotiations. ([Presidency](#))
- **Bank of Ghana (BoG) rolling out measures to stabilize cedis;** The Governor of the BoG, has assured the market that the depreciation of the cedi against the US dollar will soon stabilize after a meeting with banks and forex bureaus concluded with workable plans. He added that the coming on stream of the US\$750mn from the AfriExim Bank and US\$790mn from COCOBOD syndicated loan, will supply enough forex for the market. ([BFT](#))
- **Treasury bills subscription dip in October;** Short-term bills have resorted to low levels of subscription since the second week of this month, with an undersubscription level of 22% in October. This follows four (4) straight months of oversubscription of the bills. ([BoG](#))

FIXED INCOME MARKET

- Short-term instruments maintained their upward trend, edging higher in October.
- The instruments were however consistently undersubscribed in the last three weeks of the month.

GoG Securities Auction Results with %subscription



Government of Ghana Treasury Bill Rates (%)

Instrument	28 Oct 22	30 Sep 22	MoM	YTD
91-Day	32.70	30.45	▲ 7.39%	▲161.10%
182-Day	34.26	31.57	▲ 8.54%	▲159.34%
364-Day	33.36	31.55	▲ 5.74%	▲100.42%

Bora Purchase Rates for Clients

Instruments	Min. Yield (%)	Max. Yield (%)
Under 182 Days	30.70	39.00
Up to 1 Year	33.00	38.50
1-3 Years	36.75	44.00
Over 3 Years	38.50	44.00

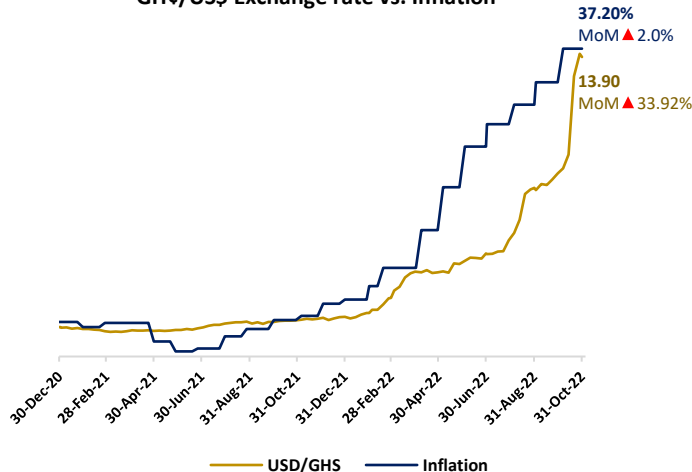
* MoM – month on month YTD – year-to-date

KEY MACROECONOMIC INDICATORS

- Inflation rose to 37.2% in September from 33.9% in August 2022. The Ghana Statistical Service is shifting inflation reference year from 2018 to 2021, which is expected to lead to revision of historical inflationary figures;
- The Monetary Policy Committee raised the policy rate by 2.5% to 24.5%.



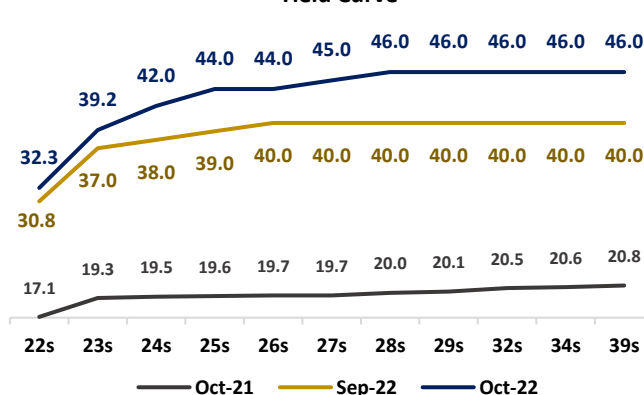
GH¢/US\$ Exchange rate vs. Inflation



TREASURY YIELD CURVE

- Yields on the secondary market widened by about an absolute average of 6% on the medium to long term maturities compared to the end of the previous month. However, maturities in 2022 realized a 1.5% increase.

Yield Curve



Monthly Market Review (October 2022)

EQUITIES MARKET

- The stock market inched up slightly, with the GSE Composite Index closing the month up by $\triangle 0.01\%$. The GSE Financial index however trimmed by $\nabla 0.01\%$ in October;
- Trading volumes were lower as compared to the previous month.

Index

GSE-CI	2,460.31	MoM $\triangle 0.01\%$	YTD $\nabla 11.80\%$
GSE-FI	2,069.89	MoM $\nabla 0.01\%$	YTD $\nabla 3.81\%$
Mkt Cap.	64,727.18	MoM $\triangle 1.16\%$	YTD $\triangle 0.36\%$

Top Gainers




TBL	GH¢ 0.55	MoM $\triangle 14.6\%$	YTD $\triangle 61.8\%$
BOPP	GH¢ 6.91	MoM $\triangle 6.6\%$	YTD $\triangle 3.9\%$

Top Losers

SIC	GH¢ 0.32	MoM $\nabla 3.0\%$	YTD $\triangle 300.0\%$
GOIL	GH¢ 1.74	MoM $\nabla 1.7\%$	YTD $\nabla 4.4\%$
GCB	GH¢ 3.95	MoM $\nabla 1.3\%$	YTD $\nabla 24.6\%$

COMMODITIES MARKET

- Brent crude oil prices recorded gains at the end of this month after four consecutive monthly declines as optimism over record U.S. crude exports and fears of recession are abating outweighed concern over slack demand in China.

	52-week Low	Current Price	52-week High
	65.72	94.45	139.13
	1,615.05	1,637.27	2,070.13
	1,498.00	1,890.00	2,023.00

UPCOMING EVENTS

 MPC Press Conference | 28th Nov. 2022

THE RISING INTEREST RATES AND YOUR INVESTMENT

INTEREST RATES



Interest rate is the amount a lender earns as a percentage of the total amount borrowed. It reflects expected inflation, credit risk of an issuer and expected real return.

Bonds:

- This can be government or corporate bonds;
- As interest rates increase, previously issued bonds become less attractive (resulting in price decline) as newly issued bonds will offer higher yields;
- The recent increase in interest rates has resulted in a significant fall in bond prices, for both government and corporate bonds;
- Even though prices have fallen, the face value is expected to be returned upon maturity. The decline in price is thus a loss if the investor sells their holdings before maturity.

Fixed Deposits:

- This can be with banks, deposit-taking institutions or non-banking financial institutions;
- Because fixed deposits carry the issuer risk, there is a direct relationship between the credit worthiness of the issuer and the investor's expected rate of return;
- Because these institutions are riskier than the Government, as interest rates on the Government papers increase, investors expect to be given higher returns.

Stocks / Equities:

- These represent ownership stake in a limited liability company (usually public listed company);
- Interest rate is a cost to most businesses. Thus, rising interest rate implies rising cost which has the potential to reduce profitability;
- As interest rates on bonds increase, investors expect higher returns from equities as it is riskier than the bonds. The threshold for people to buy equities becomes so high that demand for equities fall, leading to fall in prices;
- Therefore, higher interest rate generally leads to a negative outlook for stocks.

Your Response to Rising Interest Rates



Invest the same way you have always been investing. Particularly, build a diversified portfolio made up of quality assets;



Do not try to time the market or predict which way rates will go. If you are not certain of an investment strategy, target short-term products;



Mindfully manage your portfolios to limit the downside and increase potential upside as interest rates and the market fluctuate.

* MoM – month on month YTD – year-to-date