

Monthly Market Review (August 2023)

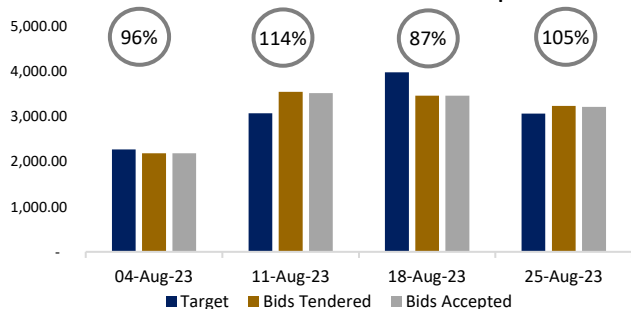
NEWS HEADLINES

- Government achieves 95% participation rate in Debt Domestic Exchange Programme (DDEP);** The Government of Ghana agreed to terms to swap about US\$4 billion of domestic debt, taking another step toward meeting its obligations under an International Monetary Fund bailout. The results imply Ghana achieved about 95% success under the latest three debt exchange deals. ([MyJoyOnline](#))
- Pension funds expect to receive coupons on alternative exchanged bonds in coming week;** To provide sufficient time to settle the Exchange Bonds in an efficient manner, the Government is extending the Settlement Date of the alternative offer exchange from the previously announced 1st September 2023 to 4th September 2023. First interest payment date under the Existing Exchange Series will now be made on or about 5th September 2023. ([MOF](#))
- Bold economic reforms yielding positive results – IMF;** The IMF Resident Representative in Ghana has started that they are witnessing substantial headway on all fronts with regards to restoring macroeconomic stability, ensuring debt sustainability and laying the groundwork for inclusive growth. ([BFTOnline](#))

FIXED INCOME MARKET

- Rates on the short-term bills edged up at the end of the month, subscribed an average of 100%.

GoG Securities Auction Results with %subscription



Government of Ghana Treasury Bill Rates (%)

Instrument	31 Aug 23	31 Jul 23	MoM	YTD
91-Day	27.02	25.24	▲ 7.06%	▼ -24.22%
182-Day	28.62	27.15	▲ 5.41%	▼ -20.39%
364-Day	31.24	30.31	▲ 3.08%	▼ -13.02%

Bora Purchase Rates for Clients

Instruments	Min. Yield (%)	Max. Yield (%)
Under 182 Days	25.75	30.00
Up to 1 Year	26.00	31.00

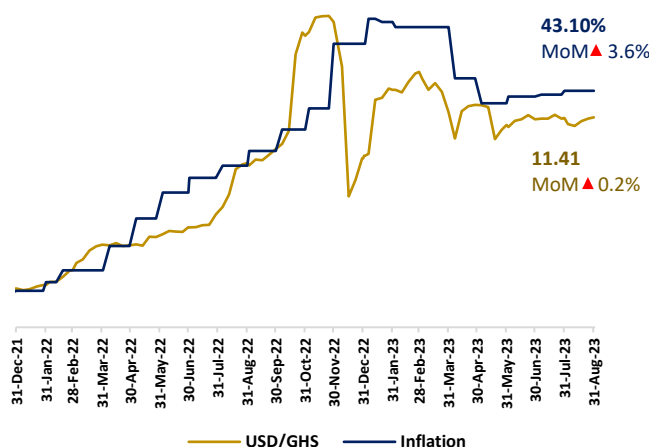
* MoM – month on month YTD – year-to-date

KEY MACROECONOMIC INDICATORS

- Annual inflation rose for the third consecutive month to 43.1% in July, compared to 42.5% in June 2023;
- Upward pressure came from both food (55% vs 54.2% in June), and non-food prices (33.8% vs 33.4%). On a monthly basis, consumer prices surged by 3.6% in July, accelerating from 3.2% rise in the prior month.



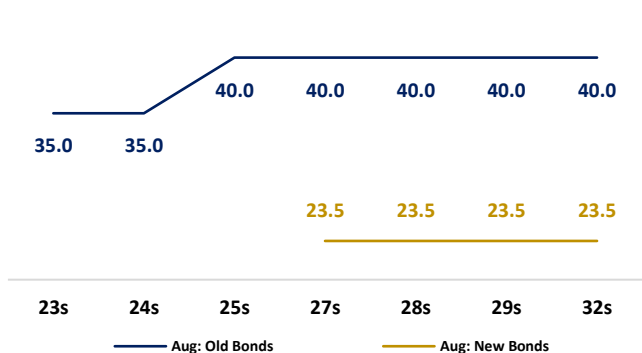
GH¢/US\$ Exchange rate vs. Inflation



TREASURY YIELD CURVE

- Bond trading has been flat over the past month as yields on the old and the new bonds have remained relatively stable over the past month. Volume trades have also remained very low.

Yield Curve



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EQUITIES MARKET

- The stock market maintained its bullish run within the month, with the GSE Composite Index and the Financial Stock Index increasing by ▲3.63% and ▲2.39% respectively on a month-on-month basis;
- Trading volumes and values were also higher as compared to the previous month.

Index

GSE-CI	3,084.79	MoM ▲ 3.6%	YTD ▲ 26.2%
GSE-FSI	1,756.12	MoM ▲ 2.4%	YTD ▼ 14.4%
Mkt Cap.	73,250.18	MoM ▲ 1.6%	YTD ▲ 13.5%

Top Gainers




SOEGEH	GH¢ 1.20	MoM ▲ 64.4%	YTD ▲ 20.0%
TOTAL	GH¢9.00	MoM ▲ 32.4%	YTD ▲ 125.0%
SCB	GH¢16.65	MoM ▲ 23.3%	YTD ▼ 17.4%

Top Losers



EGH	GH¢ 3.90	MoM ▼ 27.7%	YTD ▼ 41.3%
ACCESS	GH¢ 2.82	MoM ▼ 14.0%	YTD ▼ 29.7%
GGBL	GH¢2.52	MoM ▼ 10.0%	YTD ▲ 22.9%

COMMODITIES MARKET

- Oil prices increased on Wednesday as U.S. government data showed tighter-than-expected crude supplies, while concerns about the Chinese economy limited gains.

	52-week Low	Current Price	52-week High
	70.12	86.18	100.46
	1,615.05	1,944.94	2,062.83
	2,026.00	3,696.31	-

UPCOMING EVENTS

-  Settlement date for Debt Exchange Phase II | 4th Sept.
-  MPC Press Release | 25th September

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

OUR TAKE – WHEN THE CENTRAL BANK POSTS LOSSES

Central banks can report losses especially during seasons of economic downturns. Central banks often hold various assets on their balance sheets, such as government bonds, foreign exchange reserves, and other financial instruments. During economic downturns, the value of these assets can decrease due to market fluctuations, reduced demand, or credit risks. As a result, the central bank may experience losses on the value of its assets;

The Case of Bank of Ghana (BoG)

- BoG, according to its 2022 Annual Report and Financial Statements, posted a loss of GH¢60.8bn attributed to;



What may follow from this;

The impact of such losses can be complex and interconnected with broader economic dynamics, including;



Local Banks, may reduce their lending activities to conserve capital. This may lead to credit contraction and make it difficult for businesses and individuals to obtain loans for investment, consumption, and other essential activities.



Asset prices, including stocks, bonds, and other financial instruments, could experience sharp declines due to uncertainty and lack of confidence. The GSE Financial Sector Index is already reflecting a negative year-to-date return.



Investors, depositors, and other market participants may have their confidence eroded and become worried about the safety of their funds and investments following the financial sector clean-up and the DDEP.

BOG's steps to recover from losses

- BoG mentioned amongst others, to retain profits to help rebuild capital until equity value firmly returns to positive region and also refrain from monetary financing of the Government's budget.

Considering the huge negative equity position, until the Central Bank has moved into positive equity regions, one questions whether the BoG has the moral right to revoke the license of any Bank that lacks sufficient capital.

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