

Monthly Market Review (May 2022)

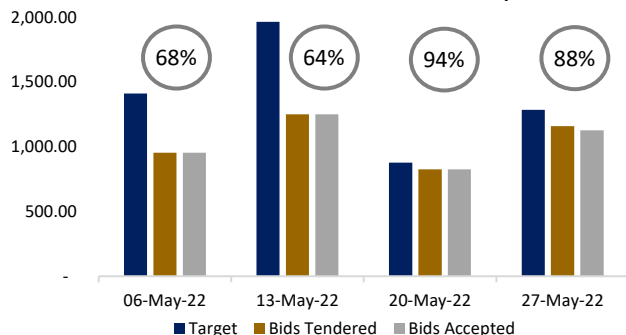
NEWS HEADLINES

- **Yields on secondary market up by an average of 4% across the curve between April and May 2022;** The returns on Government's bonds on the secondary market have been increasing since the end of the previous month. Maturities in 2022 moved from 18.8% at the end of April to 22.0% at the end of May. ([BoraResearch](#))
- **Government's Treasury bills (T-bills) undersubscription extended into May 2022;** Since the announcement of liquidity tightening measures by the BoG, T-bills auctions have been consistently undersubscribed. Overall, the level of undersubscription was 24.9% in May, notwithstanding relatively lower target amounts. ([BoG](#))
- **SIC shares hit a three (3)-year high, delivering 250% YTD return to investors;** The leading provider of non-life insurance in Ghana, has experienced some resurgence since the beginning of the year. The shares ended the month at GH¢0.28, the highest price since July 2018. ([GSE](#))

FIXED INCOME MARKET

- Short-term instruments continued to edge higher in May, maintaining their upward trend observed in recent weeks.
- Additionally, the 2-Year, 3-Year and 5-Year GoG bonds issued during the month cleared at 21.5%, 25.0% and 22.3% respectively.

GoG Securities Auction Results with %subscription



Government of Ghana Treasury Bill Rates

Instrument	27 May 22	29 Apr 22	MoM	YTD
91-Day	19.94	17.41	▲14.54%	▲59.19%
182-Day	22.95	18.53	▲23.87%	▲73.71%
364-Day	24.46	-	-	▲46.98%

Bora Purchase Rates for Clients

Instruments	Min. Yield (%) κ.	Yield (%)
Under 182 Days	19.00	23.00
Up to 1 Year	20.00	24.80
1-3 Years	20.70	26.20
Over 3 Years	22.00	25.53

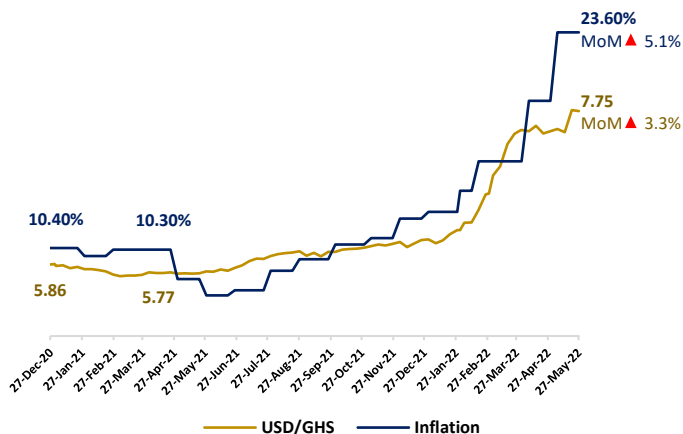
* MoM – month on month YTD – year-to-date

KEY MACROECONOMIC INDICATORS

- Inflation climbed to 23.6% in April from 19.4% in March 2022; Transport, was the highest contributor recording an inflation rate of 33.5% whereas Insurance and Financial Services recorded the least rate of 1.0%;
- Monetary Policy Committee (MPC) increased the Policy Rate by 200 bps to 19.0%, bringing borrowing costs to the highest level since February 2018.



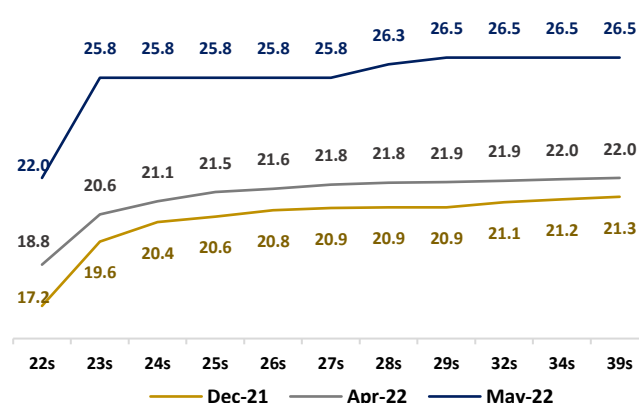
GH¢/US\$ Exchange rate vs. Inflation



TREASURY YIELD CURVE

- Yields on the secondary market remained elevated across the curve, compared to the end of the previous month. Yields with short-term maturities ranged between 22.0% and 25.8%.

Trend of Yield Curve



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EQUITIES MARKET

- The stock market continued its bearish run, with the GSE Composite Index closing the month at a decline of ▼5.07% and the GSE Financial index declining by ▼0.78%;
- Trading values and volumes were higher as compared to the previous month, with MTNGH recording the largest volumes traded.
- SIC (▲12.0%; GH¢0.28) was the only gainer for the month while TOTAL (▼17.8%; GH¢4.10) was the biggest loser.

Index

GSE-CI	2,554.79	MoM▼5.07%	YTD▼8.41%
GSE-FI	2,192.57	MoM▼0.78%	YTD▲1.89%
Mkt Cap.	62,276.63	MoM▼2.41%	YTD▼3.44%

Top Gainers




SIC	GH¢ 0.28	MoM▲12.0%	YTD▲250.0%
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Top Losers

TOTAL	GH¢ 4.10	MoM▼17.8%	YTD▼18.3%
MTNGH	GH¢ 0.90	MoM▼10.0%	YTD▼18.9%
ETI	GH¢ 0.18	MoM▼5.2%	YTD▲28.6%

COMMODITIES MARKET

- Brent crude prices remained volatile within the month but jumped to reach a 12-week high on Monday, 30th May, after EU leaders reached an agreement to ban 90% of Russian crude by the end of the year.

	52-week Low	Current Price	52-week High
	64.60	123.25	139.13
	1,710.39	1,845.77	2,070.13
	1,498.00	1,755.00	1,919.00

UPCOMING EVENTS

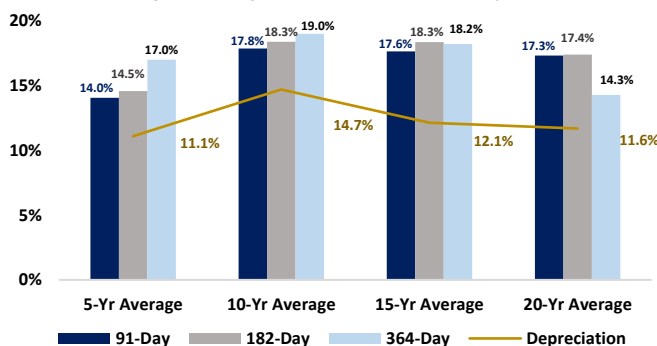
Launch of BORA Unit Trusts



OUR TAKE – “CEDI INVESTMENT OR HOLDING DOLLARS”

- Considering currency depreciation amongst other factors, there is the consideration of either holding on to dollar bills or investing Ghanaian cedis;
- There are periods where the depreciation of the local currency against the US\$ appears to undermine GH¢ investments; BUT for medium to long term investment holding the US\$ always loses out to investment in Government of Ghana Securities.

Average Treasury Bill Rate vrs US\$/GH¢ Depreciation



- In the last five years (2018-May 2022), investors holding dollars have gained 11.1% on their foreign notes, lower than returns on short-term GoG bills;
- The situation is similar for holding dollars over a 10, 15 or 20-Year period, ending May 2022;
- Current yields on the bond market range 25.6% - 25.9% for 3-Year to 10-Year bonds, also performing better than holding on to US\$ notes;
- Over the past two (2) decades, returns on short term GoG treasuries have outperformed dollar earnings;
- Unless investments are made in the US\$ at yields between **3% - 7%**, investors are better off with GoG short term or long term bills and bonds in the medium to short term.

Item	GH¢ Investment	US\$ Investment
Amount Invested	100.00	21.79
Interest Gained	1.98	1.00
Matruity Amount	¢198.05	\$21.79
GH¢ Value	¢198.05	¢168.95

- Scenario:** Investing in the 182-day bill over the past 5 years compared to holding on to US\$ notes over the same period.

Email: research@boradvisors.com
Tel: 0507712343 / 0245382300
Website: www.boradvisors.com

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