

Monthly Market Review (May 2023)

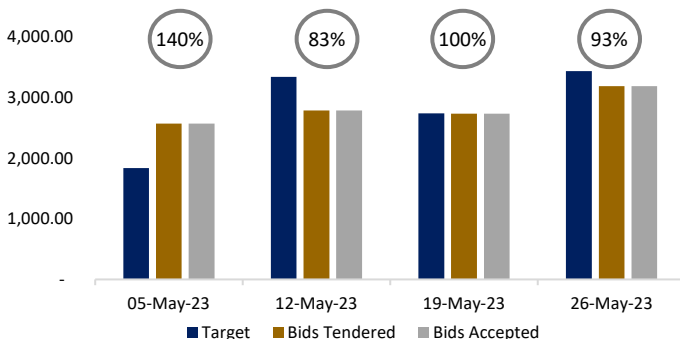
NEWS HEADLINES

- MTNGH shareholders given choice between scrip and cash dividend;** The Telecommunication giant have given their shareholders the option to increase their stake in the company without incurring any capital market-related transaction costs through a 'scrip dividend' at a price of GH¢1.19. Otherwise, shareholders can receive a final dividend of GH¢0.124 per share in cash. ([AnnualReports](#))
- Local currency faces pressure amid United States debt ceiling negotiations;** The local currency has experienced a reversal of its recent gains, losing about 4% to the US\$ between the third and fourth week of the month of May. Initially, positive market sentiments prevailed and were attributed to approval of the US\$3billion IMF bailout programme made the cedis realize about 8% gain between the second and third week of May. ([BFTOnline](#))
- Fitch Solutions forecasts sluggish fixed investment growth in Ghana as financial conditions tighten;** The rating agency attributes the potential slow growth to tighter financial conditions, which are anticipated to weaken activities in the real estate and construction sectors, exerting downward pressure on fixed investment. ([Fitch](#))

FIXED INCOME MARKET

- Rates on the short-term bills, on a year-to-date basis, declined by 41.67%, 34.28% and 21.95% for the 91-day, 182-day and 364-day bills, respectively.

GoG Securities Auction Results with %subscription



Government of Ghana Treasury Bill Rates (%)

Instrument	26 May 23	28 Apr 23	MoM	YTD
91-Day	20.80	19.95	▲ 4.27%	▼ -41.67%
182-Day	23.62	22.71	▲ 4.02%	▼ -34.28%
364-Day	28.02	27.26	▲ 2.77%	▼ -21.99%

Bora Purchase Rates for Clients

Instruments	Min. Yield (%)	Max. Yield (%)
Under 182 Days	20.00	31.00
Up to 1 Year	22.75	30.00
1-3 Years	27.36	27.50

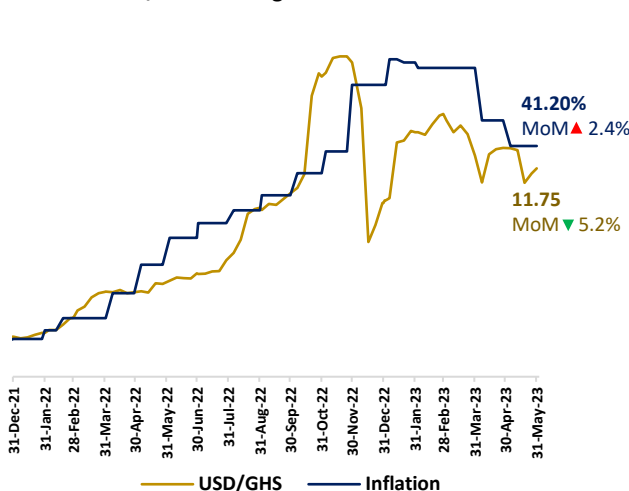
* MoM – month on month YTD – year-to-date

KEY MACROECONOMIC INDICATORS

- Year-on-year inflation rate eased for the fourth month to 41.2% in April 2023, down from 45.0% in March;
- After consistently raising the monetary policy rate (MPR) since April 2022, the Monetary Policy Committee held the benchmark MPR steady at a record high level of 29.5%.



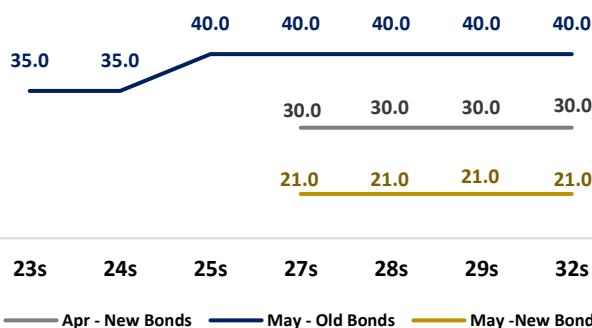
GH¢/US\$ Exchange rate vs. Inflation



TREASURY YIELD CURVE

- Yields on the old bonds remained stable over the past month. The yields on the new bonds also remained at an average of 21% over the past month, realizing a 9% absolute decline since the end of the previous month.

Yield Curve



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EQUITIES MARKET

- The stock market extended its bearish performance into the month of May, with the GSE Composite Index and the Financial Stock Index declining by ▼ 8.40% and ▼4.60% respectively;
- Trading volumes and values were however higher as compared to the previous month.

Index

GSE-CI	2,511.29	MoM ▼ 8.40%	YTD ▲ 2.76%
GSE-FSI	1,677.35	MoM ▼ 4.60%	YTD ▼ 18.28%
Mkt Cap.	65,783.30	MoM ▼ 3.65%	YTD ▲ 5.82%

Top Gainers




UNIL	GHC6.08	MoM ▲ 26.7%	YTD ▲ 56.7%
FML	GHC1.30	MoM ▲ 22.6%	YTD ▼ 56.7%
GGBL	GHC 1.65	MoM ▲ 10.0%	YTD ▼ 19.5%

Top Losers

SCB	GHC12.50	MoM ▼ 18.8%	YTD ▼ 38.0%
MTNGH	GHC 1.09	MoM ▼ 13.5%	YTD ▲ 23.9%
EGL	GHC 2.43	MoM ▼ 10.0%	YTD ▼ 24.1%

COMMODITIES MARKET

- Brent crude prices headed for a monthly decline, extending the monthly loss for May to nearly 10%, amid concerns surrounding a slowdown in demand, mainly from top crude importer China.

	52-week Low	■ Current Price	52-week High
	70.12	71.72	125.28
	1,615.05	1,963.40	2,062.83
	1,949.88	2,906.89	3,003.70

UPCOMING EVENTS

 MPC Press Release | 24th July

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

OUR TAKE – “THE IMF DEAL, WHAT TO EXPECT”

- Having reached a staff level Agreement in December 2022, Ghana has finally, secured an International Monetary Fund (IMF) Executive Board approval for a US\$3 billion bailout;
- An initial disbursement of the first tranche of US\$600 million to Ghana’s account was made on May 19, 2023. Subsequent disbursement will be made every six months based on performance review by the IMF;
- A few points to note on the potential impact of the bailout are as follows;

Cedi vs. Major Trading Currencies

\$/¢

One key goal of the IMF program is to reach a unified and flexible exchange rate. This has the tendency to restore stability and instill confidence in the economy. Consequently, this may improve market sentiment and reduce speculation against the local currency. Thus, the exchange rate may stabilize or experience less volatility.

Boost of Domestic Economy




The involvement of the IMF in a country's economic recovery can boost investor confidence. This can attract foreign direct investment, stimulate economic growth, and create employment opportunities for citizens. Increased investment can lead to the development of infrastructure, industries, and businesses, ultimately improving the overall standard of living.


Improved Living Standards




The program also aims at fast-tracking the implementation of key growth-oriented programs such as the Ghana CARES (Obaatan Pa) Program. Benefits under the LEAP are being doubled, while the school feeding programme is being adjusted to counteract the effect of the inflation. These are expected to ensure continued access to basic services, particularly for vulnerable populations.

However, it's worth noting that receiving an IMF bailout also comes with potential drawbacks;

 The conditions attached to the bailout, often involve austerity measures and structural reforms, which can result in short-term economic distress and social hardships;

 The bailout can be adversely influenced by the domestic policies and governance, as well as the extent to which the government implements and manages the conditions attached to the bailout;

 The success of these efforts will depend on the government's ability to implement reforms and manage public finances responsibly.