

Monthly Market Review (September 2023)

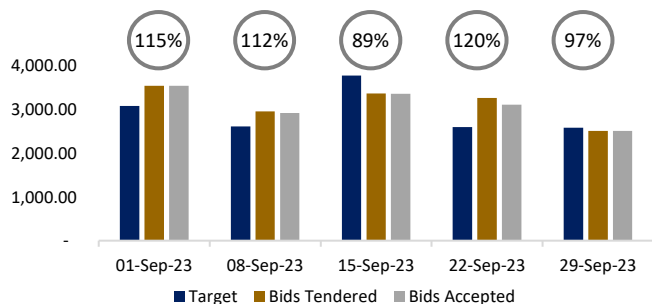
NEWS HEADLINES

- **Government secures GH¢3.9bn in reopened Debt Domestic Exchange Programme (DDEP);** According to a statement by the Ministry of Finance, this represents a significant achievement for the government, which is seeking to fully implement its COVID-19 programme for economic growth in the face of the prevailing economic situation. The new tranches were set to settle on September 29, 2023. ([Graphic](#))
- **Central Bank's Monetary Policy Committee (MPC) maintains benchmark monetary policy rate at 30%;** This follows from a total increase of 16.5 percentage points since November 2021, with the MPC citing lower inflation, a stabilized exchange rate and relatively strong economic growth. Policymakers said the continued maintenance of a tight monetary policy stance and relative exchange rate stability have contributed significantly to the disinflation process observed in the year thus far. ([BoG](#))
- **Public debt hits GH¢575.5billion (71.9% of GDP);** This is a marginal rise of GH¢6.3billion compared to the GH¢569.2billion recorded in April 2023. External debt accounted for GH¢328.6billion (US\$29.9billion), while domestic debt accounted for GH¢246.9billion (\$30.8billion). ([BoG](#))

FIXED INCOME MARKET

- Rates on the short-term bills edged up at the end of the month, subscribed at an average of 105.5%.

GoG Securities Auction Results with %subscription



| Government of Ghana Treasury Bill Rates (%) | | | | |
|---|-----------|-----------|---------|-----------|
| Instrument | 30 Sep 23 | 31 Aug 23 | MoM | YTD |
| 91-Day | 28.80 | 27.02 | ▲ 6.56% | ▼ -19.25% |
| 182-Day | 30.92 | 28.62 | ▲ 8.03% | ▼ -13.99% |
| 364-Day | 32.82 | 31.24 | ▲ 5.06% | ▼ -8.61% |

| Bora Purchase Rates for Clients | | |
|---------------------------------|----------------|----------------|
| Instruments | Min. Yield (%) | Max. Yield (%) |
| 0 - 91 days | 25.35 | 30.00 |
| 92 - 182 days | 25.75 | 31.00 |
| Up to 1 Year | 31.23 | 31.23 |

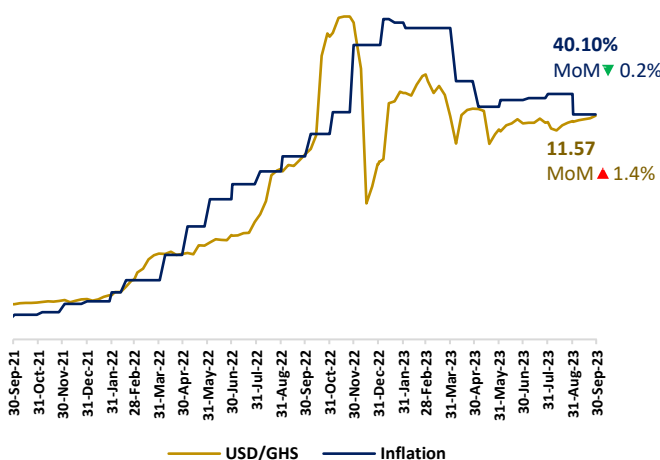
* MoM – month on month YTD – year-to-date

KEY MACROECONOMIC INDICATORS

- Annual inflation eased to 40.1% in August from 43.1% in July, after three consecutive monthly increases since May 2023;
- The Monetary Policy Committee maintained the Monetary Policy Rate at 30.0%.



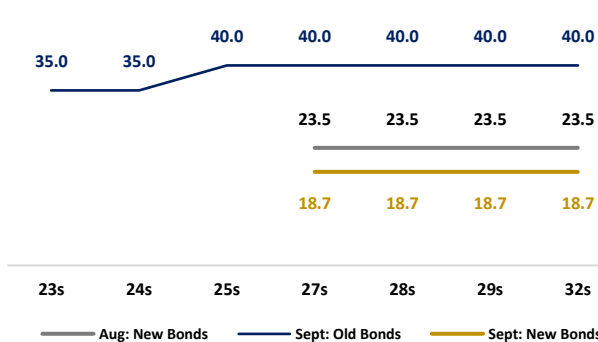
GH¢/US\$ Exchange rate vs. Inflation



TREASURY YIELD CURVE

- Trading on the old bonds remained flat over the past month with their yields remaining relatively stable in September. On the other hand, the new bonds realised an absolute decline of about 4.8% in yields in the month under review.

Yield Curve



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EQUITIES MARKET

- The stock market remained bullish within the month with the GSE Composite Index and the Financial Stock Index increasing by ▲ 2.84% and ▲ 7.63% respectively on a month-on-month basis;
- Trading volumes and values were however lower as compared to the previous month.

Index

| | | | |
|----------|-----------|------------|-------------|
| GSE-CI | 3,172.35 | MoM ▲ 2.8% | YTD ▲ 29.8% |
| GSE-FSI | 1,890.13 | MoM ▲ 7.6% | YTD ▼ 7.9% |
| Mkt Cap. | 74,189.35 | MoM ▲ 1.3% | YTD ▲ 14.9% |

Top Gainers




| | | | |
|--------|----------|--------------|-------------|
| FML | GHC 3.01 | MoM ▲ 118.1% | YTD ▲ 0.3% |
| GGBL | GHC 3.40 | MoM ▲ 34.9% | YTD ▲ 65.9% |
| SOEGEH | GHC 1.58 | MoM ▲ 31.7% | YTD ▲ 58.0% |

Top Losers



| | | | |
|-------|----------|-------------|-------------|
| CAL | GHC 0.52 | MoM ▼ 14.8% | YTD ▼ 20.0% |
| GOIL | GHC 1.52 | MoM ▼ 3.2% | YTD ▼ 11.6% |
| MTNGH | GHC 1.45 | MoM ▼ 2.1% | YTD ▲ 64.8% |

COMMODITIES MARKET

- Oil prices settled lower at the end of September compared to the end of August due to macroeconomic concerns. However, prices rose by about 30% at the end of the third quarter of the year compared to the end of the second quarter as OPEC+ production cuts squeezed global crude supply.

| | 52-week Low | Current Price | 52-week High |
|--|-------------|---------------|--------------|
|  | 70.12 | 93.14 | 99.56 |
|  | 1,616.59 | 1,835.35 | 2,062.83 |
|  | 2,222.51 | 3,592.94 | 3,865.67 |

UPCOMING EVENTS

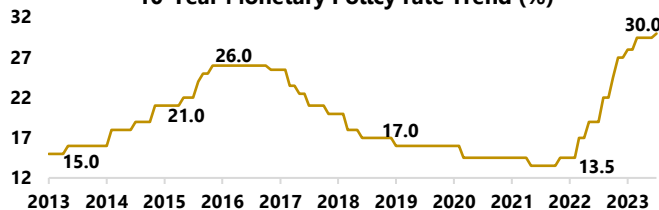
-  Presentation of 2024 Budget | November 2023
-  MPC Press Release | 27th November, 2023

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

MONETARY POLICY RATE AND YOUR INVESTMENT

- On September, 25, the Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MPR) at 30.0%, after hiking it at their previous meeting by 0.5%;
- This implied that Ghana's borrowing rates have now gone up by 16.5 percentage points in less than two (2) years, hitting the highest rate in more than ten (10) years.

10-Year Monetary Policy rate Trend (%)



- A major issue with the use of policy rate to affect the economy is that it is very difficult to know the appropriate level to raise the interest rate as the effect of each hike in the rate may take many months to fully reflect in the economy.

Effects of high policy rate on investments

- An increase in the MPR can have various effects on different asset classes and investment strategies. In an efficient market, the following can be expected;

Bonds

Bond prices and policy rates have an inverse relationship. When rates rise, newly issued bonds offer higher yields, making existing bonds with lower yields less attractive. This leads to a decrease in bond prices. As bond prices decrease, the total return from holding existing bonds could be lower.

Equities

A rate hike can lead to higher borrowing costs for consumers, leading to decrease in spending, and then reduced revenues for Companies. High interest rates also result in high financing cost which together with the reduced revenue can lead to lower profits, potentially impacting stock prices.

Real Estate

Real estate developers and homebuyers may face higher borrowing costs due to increased interest rates. This can lead to decreased demand for real estate, affecting property values and potentially impacting real estate investment trusts (REITs) that rely on borrowing.

Fixed Deposits

As interest rates rise due to a rate hike, the interest rates offered on new fixed deposits tend to increase, leading to higher returns for depositors. With higher interest rates on fixed deposits, they can become more attractive compared to other lower-yielding savings vehicles.

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