

Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates			
Bills & Notes	25-Jan-16	18-Jan-16	Change
91- Day	22.65%	22.69%	-0.04
182- Day	24.45%	24.38%	-0.07
1 Year Note	23.00%	23.00%	-
3 Year Fixed Rate Bond	24.75%	24.75%	-

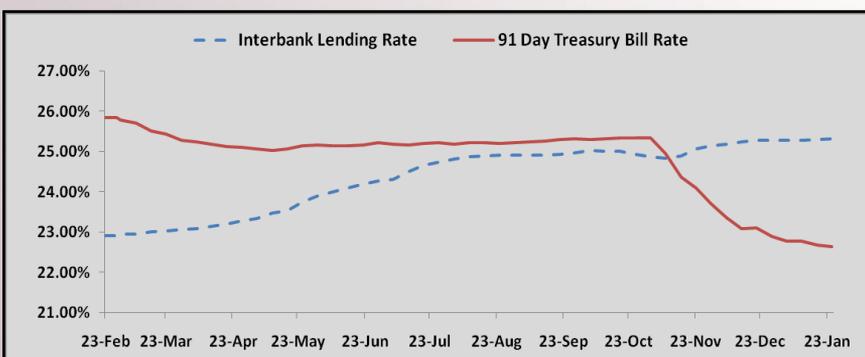
Key Economic Indicators	2016 Target
GDP Growth	5.4%
Inflation	10.1%
Import Cover	≥3 Months

The Central Bank has decided to maintain the Monetary Policy Rate at 26%. This comes after the IMF, in a review of Ghana's performance under its Extended Credit Facility, reiterated the need for fiscal consolidation.

According to the Central Bank, the Policy Rate was maintained as a result of moderation in inflationary pressures. This decision did not match analyst's expectations of an increase in the rate to curb inflation, which currently exceeds the 10.1% target for 2016.

Businesses and individuals will be pleased with this development as lending rates and general interest rates are not likely to be revised upwards immediately.

Government of Ghana securities recorded minimal drops in yields this week. The 91-Day bill shed 4 basis points while the 182-Day bill lost 7 basis points to close the week at 22.65% and 24.45% respectively. This suggests that government no longer has a keen interest in the short end of the yield curve, thus heightening the likelihood of rates dropping further.



Indicative Local Market Rates		
CCY Pair	Buy	Sell
USD/GHS	3.7700 – 3.7900	3.9450 – 3.9470
GBP/GHS	5.3800 – 5.4000	5.6570 – 5.6590
EUR/GHS	4.0800 – 4.1000	4.3180 – 4.3190

The Cedi depreciated sharply against the US Dollar over the past week. Injection of foreign exchange on the market by Bank of Ghana does not appear to be enough as demand continues to escalate.

As is the case at the beginning of every year, most businesses are building up funds to meet dividend obligations.

The Cedi therefore faces further depreciation as we do not foresee foreign exchange supply outstripping demand.

Indicative FX Forward Rates (USD)		
Tenor	Bid	Ask
Spot	3.7700	3.9470
Forward Points		
3 Months	0.1973	0.2262
6 Months	0.4276	0.4815

Deposit Rates	
Tenor	Rates
O/N	5.00%
1 Month	15.00% - 18.00%
3 Months	18.00% - 21.00%
6 Months	17.00% - 20.00%
1 Year	18.00% - 19.00%
BoG Policy Rate	26.00%
Average InterBank Rate	25.33%
GTBank Base Rate	26.75%

Average Interbank rates inched up 2 basis points from last week's rate of 25.31%. Given the Central Bank's decision to maintain the Policy Rate, banks are not likely to lend lower than the current overnight rates. With the tight state of liquidity on the market, we expect interbank rates to continue trending upwards.

CCY PAIR	25-Jan-16	18-Jan-16	Change
GBP/USD	1.4268	1.4259	+0.0009
EUR/USD	1.0797	1.0916	-0.0119
USD/JPY	118.50	116.88	+1.62
USD/CHF	1.0155	1.0010	+0.0145
Commodities			
Gold	1,108.60	1089.60	+19.00
Oil (Brent)	30.87	28.60	+2.27
Cocoa	2,933.38	2,914.50	+18.88

The US Dollar's rise continued this week against the major trading currencies, except the Pound. Analysts have identified economic weaknesses in Europe and Asia as the driving force behind the dollar's good fortune. Locally, Ghana's heavy dependence on imports makes the dollar's surge a worry for most businesses.

Gold is becoming attractive again for investors as they seek to avoid the risk of investing in turbulent stock markets. The precious metal closed the week at US\$1,108.60. This is good news for local gold exporters after last year ended on a very challenging note for them.

International Benchmark	Rates
1-Month LIBOR	0.43060%
3-Month LIBOR	0.62130%
6-Month LIBOR	0.86570%
1-Year LIBOR	1.15290%
US Prime	3.50%

Oil prices exceeded the US\$30 mark after last week's record low figures. Analysts have however warned that prices could drop again due to incessant global supply, which will not augur well for Ghana's oil revenues.

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