

Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates

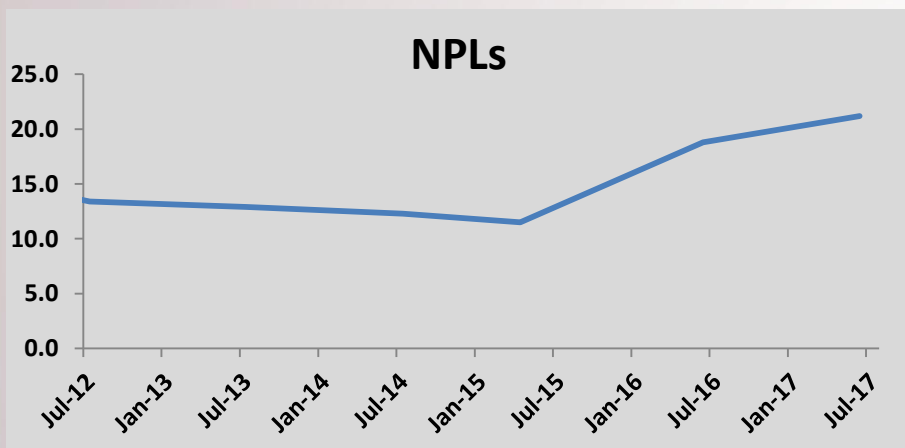
Bills & Notes	28-August-17	21-August-17	Change
91- Day	13.19%	12.63%	+0.56%
182- Day	13.93%	13.60%	+0.33%
1 -Year	15.00%	15.00%	-

Key Economic Indicators

2017 Target

GDP Growth	6.3%
Inflation	11.20%
Import Cover	≥3 Months

The rise in non-performing loans (NPLs) of commercial banks has sparked grave concern among industry players and market watchers in the wake of the recent development in the banking industry. The Banking Stability report by BoG revealed that the NPL ratio went up to 21.2% from the 18.8% recorded for the same period last year. Whilst the public sector contribution to the NPLs dipped from 12.7% to 5.1% due to the restructuring of the TOR and VRA debts during the review period, private sector NPL accounted for about 95%. The surge in loan deterioration is likely to engender further stress in the sector. As we await the announcement of new minimum capital by the regulator, it is expected that the increment will be sufficient to markedly improve banks' balance sheet to withstand stress.



Notwithstanding the uptick in treasury yields at the last auction, government failed to meet its target of GHS979 million as total bids tendered was GHS775.18 million. With a year open of 16.7459%, the 91-day treasury bill closed the auction at a yield of 13.1899%, bringing the YTD change to -21.24% against a YTD change of 0.33% for the same period last year. The 182-day treasury bill was up by 33 bps to settle at 13.9267%. We reiterate that the focus of investors has shifted from treasury bills to bonds and further posit that waning investor participation at the short end at current yields would persist. This week, government intends to raise GHS1,092 million of treasury bill and GHS200 million through reopening of the existing 5-year Bond (coupon of 19.04%) maturing 24th September, 2018 with almost a year to maturity, we expect it to clear around 15% to 16.50%.

Available Securities

Maturity Date	Security Type	Offer
06-May-19	1-Year Note	17.30%
01-Jun-20	3-Year Bond	17.70%
25-Jul-22	5-Year Bond	17.70%

CCY Pair	Buy	Sell
USD/GHS	4.2650 – 4.2850	4.4630– 4.4650
GBP/GHS	5.4900 – 5.5100	5.8010– 5.8030
EUR/GHS	5.1000 – 5.1200	5.3970– 5.3990

Despite support from the Central Bank through FX sale on the interbank market, the much fancied greenback recorded an increase in value as demand by market players rose slightly above supply, realizing 136 pips to settle at a YTD gain of 4.55% to the Cedi. The Euro replicated its sterling performance on the global front against the Cedi to close the week at an exchange rate of 5.2660, up by 886 pips from the previous level of 5.1774. The dominance of the Euro on international market has had a ripple effect on the Cedi recording the greatest YTD gain of 20.39%.

Deposit Rates

Tenor	Rates
O/N	5.00%
1 Month	8.00% - 10.00%
3 Months	10.00% - 12.00%
6 Months	12.00% - 13.00%
1 Year	13.00% - 14.00%
Average Interbank Rate	20.97%
GTBank Base Rate	24.77%

The interbank rate remained sticky around 20.98% over the past two weeks following the takeover of UT Bank by GCB Bank. Sequel to this, activities by most commercial banks on the interbank market have declined, hence we do not foresee any sharp change in the average lending rate in the short-run.

CCY Pair	28-August-17	21-August-17	Change
GBP/USD	1.2900	1.2868	+0.0032
EUR/USD	1.1924	1.1748	+0.0176
USD/JPY	109.249	109.33	-0.0810
USD/CHF	0.9549	0.9619	-0.0097
Market Commodities			
Gold	1,300.36	1,291.79	+8.57
Oil (Brent)	51.52	51.76	-0.24
Cocoa	1,983.00	1,895.00	+88.00

On the global front, U.S stocks recorded gains whilst treasuries rose as a note of caution crept into market with Hurricane Harvey barreling toward the energy-rich Texas coast. The Dollar fell versus major peers, extending its weakness from last week after the Federal Reserve chair dispelled concern she would strike a hawkish tone. The greenback fell to two and half year low against the Euro, following comments by the central bankers on Friday and worries over the storm hurting the U.S economy. Whilst the Euro extended its gains against the Dollar, the U.S currency also slipped against the Yen, dipping 0.73% to 0.9549.

Hurricane Harvey had a devastating effect on the commodity market with oil easing as flooding from Harvey inundated refining centres along Texas coast, shutting more than 10% of U.S fuel making capacity. Gold prices edged higher as investors diverted funds into safe haven in the wake of the disastrous hurricane. Cocoa gained \$88.00 to close the week at \$1,983 per tonne.

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