



PRUDENTIAL SECURITIES LTD.

FINANCIAL MARKET RESEARCH REPORT

...FOR THE MONTH ENDING **MAY 2022**...

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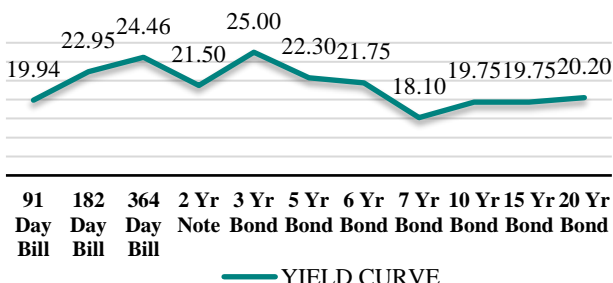
**GOG SECURITIES MARKET HIGHLIGHT FOR
MAY 2022**

The interest rate on Government of Ghana treasury securities experienced significant growth in May 2022. Results from the auctions held showed that there was an increase in yields across the 91-Day T/Bill to the 5 Year Bond. Interest rate on the 91 Day T/Bill rose from 17.41% to 19.94% representing a change of +14.51%. In addition, yields on the 182 Day T/Bill and 364 Day T/Bill rose from 18.53% to 22.95% and 19.67% to 24.46% showing a m/m change of +23.91% and +24.31% respectfully. Interest rate on long-term securities also rose with the 2 Year Note, 3 Year Bond, and 5 Year Bond posting a year-to-date gain of 8.91%, 22.01% and 6.21% respectively.

For this month's auction, the government targeted a total amount of GH¢5,526.00 million for 91 Day T/Bill, 182 Day T/Bill, 364 Day T/Bill, 2 Year Note, 3 Year Bond, and 5 Year Bond. Out of the targeted amount of GH¢5,526.00 million, bids tendered in amounted to GH¢5,851.78 million, with the government accepting GH¢5,795.85 million. This represents an oversubscription of 4.48%.

| Securities | Current | Previous | Chg. % |
|----------------|----------|----------|-----------|
| | 30-05-22 | 02-05-22 | |
| 91 Day T/Bill | 19.94% | 17.41% | +14.51 |
| 182 Day T/Bill | 22.95% | 18.53% | +23.91 |
| 364 Day T/Bill | 24.46% | 19.67% | +24.31 |
| 2 Year Note | 21.50% | 19.75% | +8.91 |
| 3 Year Bond | 25.00% | 20.50% | +22.01 |
| 5 Year Bond | 22.30% | 21.00% | +6.21 |
| 6 Year Bond | 21.75% | 18.80% | +15.69 |

Source: Ghana Fixed Income Market


May Auction Results

| | Bids Tendered | Bids Accepted |
|----------------|-----------------|-----------------|
| | GH¢ million | GH¢ million |
| 91 Day T/Bill | 3,379.20 | 3379.20 |
| 182 Day T/Bill | 553.23 | 545.18 |
| 364 Day T/Bill | 251.47 | 223.65 |
| 2 Year Bond | 601.92 | 601.92 |
| 3 Year Bond | 470.41 | 470.41 |
| 5 Year Bond | 595.55 | 575.85 |
| TOTAL | 5,851.78 | 5,795.85 |

May Auction Target Amount

| Tenor | GH¢ million |
|--|-------------|
| 91, 182, 364, 2 Yr., 3 Yr., and 5 Yr. Bond | 5,526.00 |

Issuance Calendar, Apr to Jun 2022

| | |
|------------------------|------------------|
| Maturities to rollover | GH¢20.10billion |
| Fresh Issuance | GH¢4.59 billion |
| Gross Issuance | GH¢24.69 billion |

Tenor Schedule

| | |
|-----------------------|------------------------------|
| 91- and 182-Day Bills | Weekly auction |
| 364 Day Bills | Bi-weekly auction |
| 2-to-6-Yr Bond | Subject to market conditions |
| Tap Issues | Subject to market conditions |

Source: Bank of Ghana

Ghana Macroeconomic Snapshot

| Indicators | Current | Previous | Chg. % |
|----------------------|---------|----------|-----------|
| GDP Growth Rate | 1.8 | 1.5 | 20.00 |
| GDP AGR | 7 | 6.5 | 7.69 |
| Inflation | 27.6 | 23.6 | 16.95 |
| Monetary Policy Rate | 19 | 17 | 11.76 |
| Unemployment Rate | 4.5 | 4.1 | 9.76 |
| Gov't Debt to GDP | 78 | 63.9 | 22.07 |

CURRENCY MARKET

The Cedi depreciated marginally against the USD for the month. The local currency traded at GH¢7.1441/USD, compared with GH¢7.1128/USD at month open, reflecting m/m and YTD depreciations of 0.44% and 15.95% respectively. The cedi further declined against the EURO by 2.20% m/m to finish the month with a trading price of GH¢7.6650/EUR. Again, the local currency depreciated against the British Pound opening the month at GH¢8.9333/GBP and closing at GH¢9.0041/GBP, representing a year-to-date loss of 9.74%.

STOCK MARKET

The Ghana Stock Exchange continued its downward trend in May 2022. The GSE Composite index recorded a year-to-date loss of 8.41% whilst the GSE Financial index recorded a year-to-date return of 1.89%.

The market capitalization of the local bouse declined by 2.41 percent after reporting a value of GH¢62,276.63 in May 2022 compared to GH¢63,817.52 in April 2022.

MTNGH has posted the most trades so far, recording a total volume of 371,823,586, valued at GH¢385,030,099 in 2022.

COMMODITY MARKET

Crude Oil (Brent): The price of crude oil (Brent) rose in May 2022. Brent crude oil increased from US\$105.8 per barrel in April to US\$112.4 per barrel in May, representing a percentage change of +6.24%. Oil prices rose in May on optimism that China would see significant demand recovery after positive signs that the country's coronavirus pandemic was receding in the hardest-hit areas.

Gold: Gold prices extended losses in May for the third consecutive month as the dollar rallied to two-decade highs while US Treasury yields also advanced, curbing investors' enthusiasm for the safe haven metal. The price of the yellow metal declined from US\$1,937 per ounce in April to US\$1,849 per ounce in May, representing a decline of 4.54% within the stated period.

Currency Market

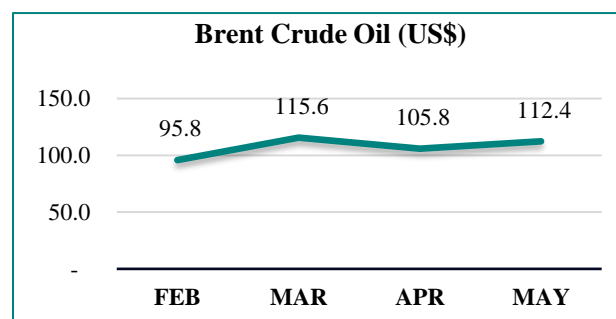
| Currency Pair | Current | Previous | Chg. % |
|---------------|----------|----------|--------|
| | 31-05-22 | 29-04-22 | |
| USD/GH¢ | 7.1441 | 7.1128 | -0.44 |
| GBP/GH¢ | 9.0041 | 8.9333 | -0.79 |
| EUR/GH¢ | 7.6650 | 7.4963 | -2.20 |

Source: Bank of Ghana

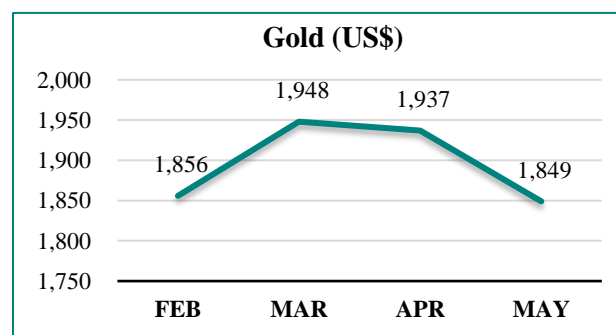
Stock Market

| | Current | Previous | Chg. % |
|------------------|-----------|-----------|--------|
| | May-22 | April-22 | |
| GSE-CI | 2,554.79 | 2,691.19 | -5.07 |
| GSE-FI | 2,192.57 | 2,209.70 | -0.78 |
| Market Cap (GH¢) | 62,276.63 | 63,817.52 | -2.41 |

Source: Ghana Stock Market



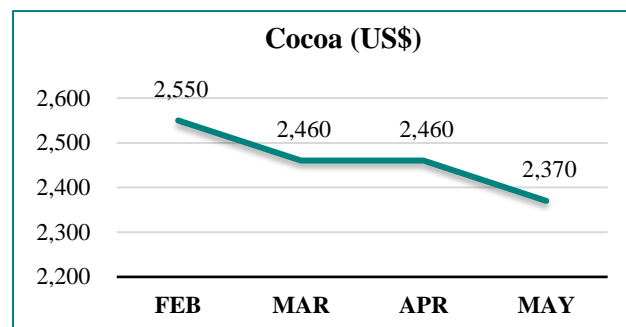
Source: World Bank Commodity Market



Source: World Bank Commodity Market

Cocoa: Prices of Cocoa declined by US\$90 or 3.66% from US\$2,460 in April to US\$2,370 in May 2022. This is the fourth time in a row that the price of cocoa bean has dropped.

The decline in cocoa bean prices could be attributed to several factors such as adverse weather conditions, diseases, and Russia-Ukraine conflict which has negatively affected cocoa production and the shortage of fertilizers on cocoa farms.

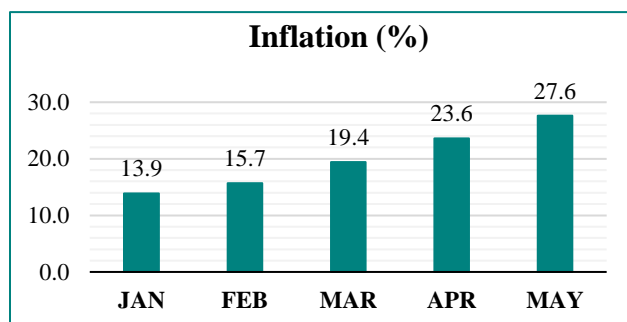


Source: World Bank Commodity Market

ECONOMIC/BUSINESS NEWS

Inflation rate for May 2022 rises to 27.6%

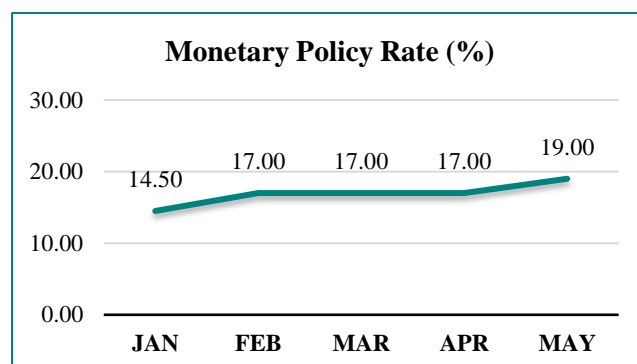
Inflation rate accelerated for the 12th consecutive month to 27.6% in May of 2022, from 23.6% in April, breaking the upper ceiling of the central bank's target band of 6% to 10%. That was the highest inflation rate since January 2004. Increase in transport fares and food prices pushed the rate of inflation to 27.6% in May 2022.



Source: Ghana Statistical Service

Bank of Ghana increases policy rate from 17% to 19%

The Bank of Ghana raised its benchmark monetary policy rate by 200 bps to 19% during its May 2022 monetary policy meeting. It was the second consecutive rate hike this year, bringing borrowing costs to the highest level since February of 2018, to re-anchor inflation expectations and help foster macroeconomic stability.



Source: Bank of Ghana

Ghana Debt Stock hits GH¢391.9 billion

Ghana's total debt stock has hit GH¢391.9 billion, data from the Bank of Ghana indicate. According to the central bank, the country's debt stock stood at US\$ 55.1 billion as of March 2022. Even though it dropped by \$3 billion in the first quarter of 2022 from \$58.4 billion in January to \$55.1 billion in March, it increased in cedi terms due to the depreciation of the currency. The cedi increment was GH¢ 40 billion.

The increase in the debt stock in cedis increases Ghana's debt to Gross Domestic Product (GDP) ratio to 78%. Year-on-year, from March 2021 to March 2022, the debt stock rose by about 30% from GH¢304.6 billion to GH¢391.9 billion.

RECOMMENDATION

Due to recent increases in inflation in the country, we expect that interest rate movement on GOG securities will continue to accelerate across the 91 Day T/bill to the 364 Day T/bill. We believe that investors' enthusiasm for long-term bonds and equities will be stifled by the high yields on the primary market. For the time being, we recommend the scheme to rebalance their portfolios to incorporate more primary market short-to-medium-term assets.