



# PRUDENTIAL SECURITIES LIMITED

## MONTHLY FINANCIAL MARKET RESEARCH REPORT

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### FOR THE MONTH ENDING **JUNE 2023**

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### Government of Ghana Securities

During the month of June, the interest rates on the Government of Ghana Treasury Bill securities experienced a consistent upward trend. This increase was observed across different tenures, including the 91-day, 182-day, and 364-day bills issued on the primary market.

Specifically, the yields on the 91-day and 182-day bills rose by 181 basis points (bps) and 150 bps respectively. This increased rates from 21.16% to 22.97% for the 91-day bill and from 23.94% to 25.44% for the 182-day bill.

Furthermore, the interest rate on the 364-day bill increased from 28.02% to 29.25%, indicating a month-on-month positive change of 123 bps.

These upward movements in interest rates can be attributed to the high demand for Government of Ghana securities and the outlook of inflation which is projected to increase further due to the introduction of new taxes and increases in utility tariffs.

See the table below for a summary of interest rates on the primary market as of June 2023.

Securities	Month Close	Month Open	Chg.	YTD
	26-06-2023	05-06-2023	Bps	%
91 Day Bill	22.97	21.16	↑181.37	↓ 35.04
182 Day Bill	25.44	23.94	↑150.33	↓ 29.29
364 Day Bill	29.25	28.02	↑123.75	↓ 18.50

Source: Bank of Ghana

### Auction Results for June 2023

During the auction on the primary market, investors submitted bids totaling GH¢10,529.21 million for Government of Ghana Treasury Bill securities. The government accepted GH¢10,500.95 million out of these bids, hence falling short of the total auction target of GH¢10,705.00 million by 1.91%, equivalent to GH¢204.05 million.

- The government accepted bids worth GH¢7,359.59 million for the 91-Day Bill, which accounted for 70.08% of the total bids accepted.
- The 182-day bill saw bids accepted amounting to 2,620.61 million, representing 24.96% of the total bills accepted.
- Lastly, for the 364-day bill, the government accepted bids worth 520.75 million, accounting for 4.96% of the total bills accepted.

See the tables below for a breakdown of auction results

Date	Target Amount	Amount Tendered	Amount Accepted	(Under)/Over Subscription
	GH¢ mil	GH¢ mil	GH¢ mil	GH¢ mil
05-06-23	2,082.00	2,409.91	2,406.01	+324.01
12-06-23	2,631.00	2,801.02	2,801.02	+170.02
19-06-23	3,790.00	3,018.96	3,015.74	(774.26)
26-06-23	2,202.00	2,299.32	2,278.18	+76.18
<b>TOTAL</b>	<b>10,705.00</b>	<b>10,529.21</b>	<b>10,500.95</b>	<b>(204.05)</b>

Source: Data compiled from the Bank of Ghana

### Forex Exchange Market

In June, the Ghana cedi experienced marginal depreciation against major trading currencies on the forex market.

The Ghana cedi declined against the US Dollar by 0.23% from GH¢10.97/USD to settle at a trading price of GH¢10.99/USD, recording a year-to-date loss of 22.02%. Also, the value of the cedi depreciated marginally by 2.94% against the British Pound. The cedi finished June with a trading price of GH¢13.99/£, compared with GH¢13.59/£ at the start of the month, increasing its year-to-date loss from 24.12% in May to 26.28%.

In addition, the cedi depreciated against the Euro by 2.65% in June to close at a trading price of GH¢12.00/€, compared with GH¢11.70/€ at the start of the month, thus increasing its year-to-date loss from 21.82% to 23.83%.

We believe that Ghana's negotiations with its external debtors have played a role in maintaining stability for the Ghana cedi on the forex market.

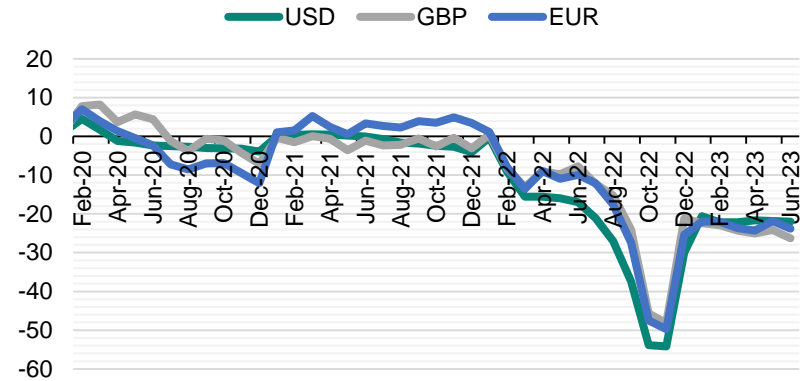
See the table below for a summary of the Interbank FX rates.

#### BOG Midrate

Currency Pair	Year Open	Month Close	Month Open	M/M % Chg.	YTD %
USD/GH¢	8.58	10.9972	10.9715	↓0.23	↓22.02
GBP/GH¢	10.31	13.9879	13.5888	↓2.94	↓26.28
EUR/GH¢	9.15	12.0073	11.6978	↓2.65	↓23.83

Source: Bank of Ghana

### Performance of Ghana Cedi Vs Major Trading Pairs (Year-To-Date)



Source: Data compiled from the Bank of Ghana

### Highlights of Global Currency Pairs

	Current Value	1 Month Chg. (%)	3 Months Chg. (%)	YTD (%)
Euro/US\$	1.09	2.1	0.6	1.9
Euro/GBP	0.86	0.0	-2.2	-2.9
US\$ /GBP	0.79	-2.1	-2.9	-4.9
US\$ / Canadian \$	1.32	-2.4	-2.0	-2.3
US\$/Yen	144.31	3.6	8.6	10.1

Source: Bloomberg & Invesco

### Ghana Stock Market

The Ghana stock market demonstrated positive performance, with both the GSE-Composite Index (GSE-CI) and the GSE-Financial Stock Index (GSE-FSI) showing positive signals.

The GSE-CI, which measures the performance of all listed stocks on the Ghana Stock Exchange, increased by 296.74 points to reach a level of 2,808.03 points. This resulted in a significant improvement in its year-to-date returns, rising from 2.76% in May to 14.90% in June.

Similarly, the GSE-FSI, which tracks the performance of financial stocks on the exchange, experienced a marginal increase of 14.56 points, reaching 1,691.91 points. This contributed to a reduction in its year-to-date loss from 18.28% in May to 17.90% in June.

The overall market capitalization of the Ghana Stock Exchange also saw growth during this period, rising by GH¢4.46 billion. This increase resulted in the market's value expanding from GH¢65.78 billion in May to GH¢70.24 billion in June. Consequently, the year-to-date returns for the market capitalization improved from 5.85% in May to 8.89% in June.

These positive trends indicate investor confidence and renewed interest in the Ghana stock market.

### Volume and Value Traded

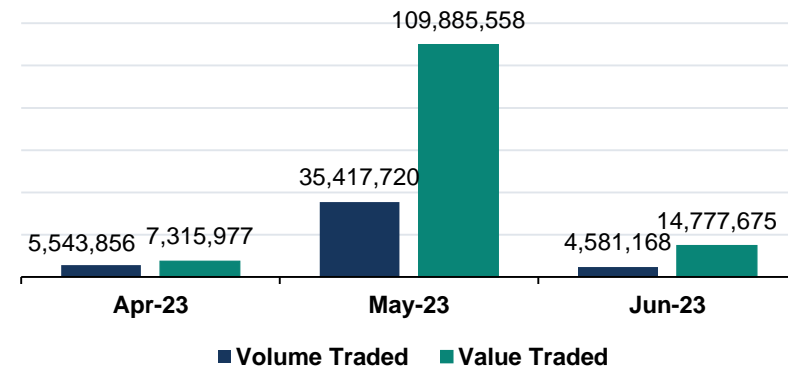
The volume of shares traded on the Ghana Stock Exchange witnessed a significant decline compared to the previous month.

A total of 4,581,168 shares were exchanged, with a total value of GH¢14,777,675. This represents a substantial decrease of 87.07% in volume and a corresponding decrease in value compared to May's trading activity.

In May, a total of 35,417,720 shares were traded, with a total value of GH¢109,885,558.

The decline in trading volume and value indicates lower market activity and reduced investor participation in June.

The diagram below shows a graphical representation of volume and value trades for June 2023.



	MAY 2023	JUNE 2023	YTD
<b>GSE-CI</b>	2,511.29	2,808.03	<b>+14.90%</b>
<b>GSE-FSI</b>	1,677.35	1,691.91	<b>-17.57%</b>
<b>Market Cap (GH¢m)</b>	65,783.30	70,238.82	<b>+8.89%</b>
<b>Volume Traded</b>	35,417,720	4,581,168	-
<b>Value Traded (GH¢)</b>	109,885,558	14,777,675	-

During the period under review, Benso Oil Palm Plantation stock (BOPP) emerged as the top gainer on the Ghana Stock Exchange with an impressive year-to-date (YTD) return of 84.44%. The price of BOPP shares rose from GH¢7.65 in January to GH¢14.11, reflecting strong growth and investor interest in the stock.

Following BOPP, TOTAL Ghana stock (TOTAL) registered a YTD return of 61.25%, indicating a significant increase in its stock price over the course of the year. Unilever (UNIL), MTNGH, and Trust Bank Ltd (TBL) also performed well, with YTD returns of 60.82%, 50.00%, and 3.41% respectively.

The table below shows the top 5 gainers in June.

**Top Gainers (June 2023)**

Stocks	Price (GH¢)	Year-To-Date
BOPP	14.11	+84.44%
TOTAL	6.45	+61.25%
UNIL	6.24	+60.82%
MTNGH	1.32	+50.00%
TBL	2.12	+3.41%

Source: Data compiled from the Ghana Stock Exchange

On the other hand, Fan Milk stock (FML) led the laggards with the highest YTD loss of 56.00%. This indicates a significant decline in the stock price of FML from GH¢3 in January to GH¢1.32.

Societe Generale Ghana (SOGEGH) followed closely with a YTD loss of 41.00%. Standard Chartered Ghana (SCG) and Enterprise Group Ltd (EGL) also posted YTD losses of 35.96% and 24.69% respectively.

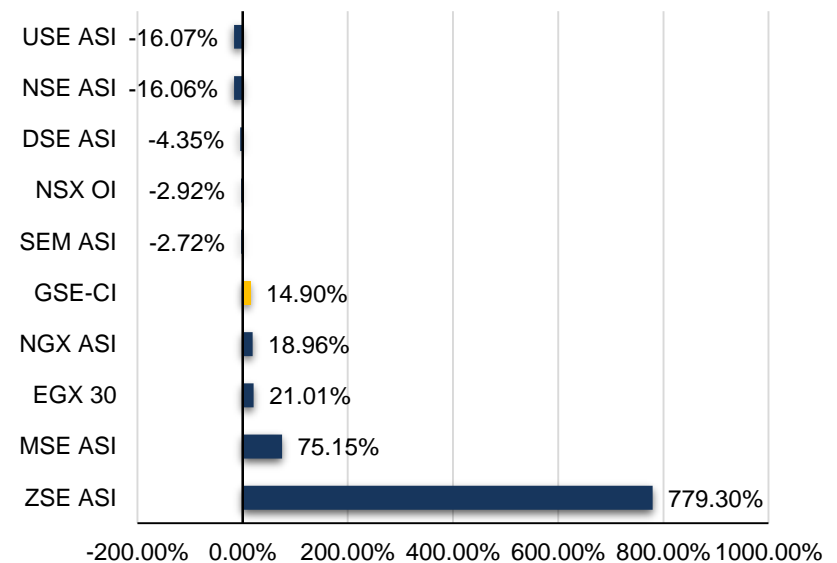
The table below shows the top 5 losers in June.

**Top Losers (June 2023)**

Stocks	Price (GH¢)	Year-To-Date
FML	1.32	-56.00%
SOGEGH	0.59	-41.00%
SCB	12.91	-35.96%
EGL	2.41	-24.69%

Source: Ghana Stock Exchange

**GSE-CI Vs Some Selected African Stock Market Indices**



Source: African Markets

## Commodity Market

### Crude Oil (Brent)

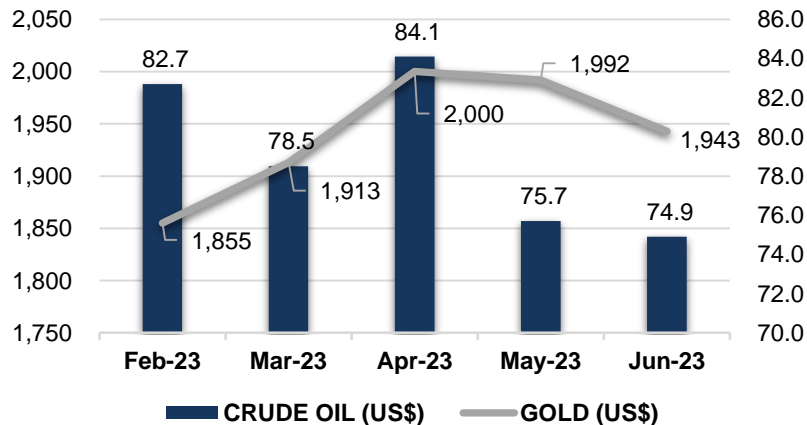
Brent Crude oil prices fell marginally by 1.06% in June on signals that the U.S. Federal Reserve may not be done with interest rate hikes. Also, the decline in oil prices occurred shortly after the release of government data that indicated an unexpected and significant increase in U.S. crude oil inventories.

Brent crude oil prices declined by 1.06%, from \$75.70 per barrel in May to \$74.90 per barrel.

### Gold

Gold prices experienced a slight decline, primarily influenced by the Federal Reserve's signalling of potential interest rate hikes. Despite a pause in rate increases in the previous month, the Federal Reserve has continued to indicate its intention to raise interest rates in the future.

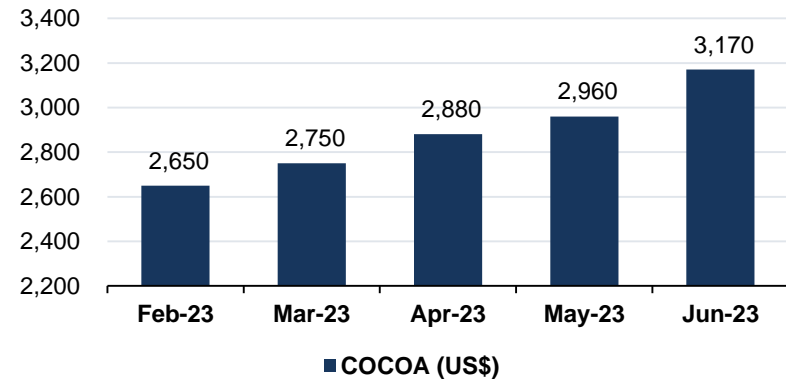
The price of Gold fell by 2.46%, or US\$49, from US\$1,992 per ounce in May to US\$1,943 per ounce in June 2023.



### Cocoa

The price of cocoa beans experienced a significant surge, reaching its highest level in 46 years. This increase is primarily attributed to bad weather conditions in West Africa, which posed a threat to the production of cocoa suppliers in the region.

Prices of Cocoa beans increased by 7.09% from US\$2,960 per ton in May to US\$3,170 per ton in June 2023.



Source: World Bank Commodity Market

See the table below for the monthly average prices of other commodities.

Commodity	April-23 (US\$)	May-23 (US\$)	June-23 (US\$)
Crude Oil, WTI	79.4	71.6	70.2
Soybeans	615	595	592
Maize	291.1	268.1	266.9
Sugar, World	0.53	0.56	0.54

## Highlights of International Markets

### Europe

Eurozone inflation experienced a decline, reaching its lowest level since January 2022. In June, the inflation rate dropped to 5.5% compared to the previous rate of 6.1%. This decrease indicates a moderation in the overall price level within the Eurozone.

Among Eurozone countries, Germany recorded a higher inflation rate of 6.8%. This increase can be attributed, at least in part, to the rise in transport prices following the reduction of subsidies for buses and trains.

In contrast, other Eurozone countries saw a decline in inflation. Italy's inflation rate fell to 6.7%, while France recorded a rate of 5.3%. Spain's inflation rate was below the target set by the European Central Bank (ECB), standing at 1.6%.

### The UK

UK inflation remained at 8.7% in May 2023. Core inflation, which excludes energy and food prices, increased from 6.8% to 7.1%, reaching its highest level since March 1992. Factors such as airfares and live music events contributed to the increase in prices.

Following the release of the inflation data, the Bank of England decided to raise interest rates by 0.5%. This marked the 13th consecutive increase in interest rates by the central bank. The Bank of England justified its decision to raise interest rates by citing evidence of persistent inflation.

### The US

In June, the US equity markets showed positive performance, with gains seen across major indices including the Nasdaq, S&P 500, and Dow Jones. This upward movement can be attributed to strong sector performances, particularly in consumer discretionary, industrial, and materials sectors.

Technology stocks also made a significant contribution to the market's performance. Nvidia, a prominent technology company, reached a milestone by achieving a market capitalization of \$1 trillion. Additionally, Apple set a new record, surpassing \$3 trillion in market capitalization.

In other developments, the Federal Reserve (Fed) decided to pause its rate hikes after 15 months of consecutive increases. However, the Fed indicated its support for two more interest rate hikes later in the year, with the possibility of implementing one at its upcoming meeting in July.

### Asia

Asia Pacific equity markets demonstrated strong performance in June, as the MSCI Asia Pacific index increased by 3.4%. Notably, Australia, India, and Japan made significant contributions to this positive movement. Conversely, Thailand, Malaysia, and Indonesia were among the countries that underperformed during the period.

### Emerging Markets (EM)

In Latin America, Brazil's economic data for the first quarter showed positive signs, with GDP growth coming in at 4%, surpassing the forecasted 2.7%. Inflation data for May also came in below expectations at 3.94%, indicating a more moderate price level increase than anticipated.

Brazilian equity markets were up 16.1% with all sectors contributing positively. The energy sector led the way with Petrobras and Cosan up over 25% in June.

Mexican equity markets also made gains during the month, with the materials sector leading the way. Additionally, Peru, Colombia, and Chile also showed positive performance in their respective equity markets.



**Highlights of Global Equity Index Performance**

INDEX	1 Month %	3 Month %	YTD %
<b>US</b>			
DOW JONES	4.7	4.0	4.9
S&P 500	6.6	8.7	16.9
NASDAQ	6.7	13.1	32.3
RUSSELL 2000	8.1	5.2	8.1
<b>UK</b>			
FTSE All-Share	1.0	-0.6	2.5
FTSE 100	1.4	-0.4	3.1
FTSE 250	-1.3	-1.6	-0.6
<b>EUROPE</b>			
MSCI Europe	2.4	2.6	11.7
CAC 40	4.5	3.5	17.4
DAX	3.1	3.3	16.0
<b>ASIA</b>			
Hong Kong HS	4.5	-6.1	-2.8
China SE	0.8	-1.1	4.8
Singapore Times	1.5	0.4	1.2
Korean	-0.5	3.5	14.9
Taiwan	3.4	8.1	21.7

Source: Bloomberg & Invesco

**Africa Business Market News**

**Zambia reaches debt restructuring deal**

According to recent reports, Zambia's creditors have reached a finalized debt restructuring agreement amounting to \$6.3 billion. This development marks an important milestone for the country, as it opens the door for the disbursement of \$188 million from the International Monetary Fund (IMF).

The debt restructuring agreement signifies a significant step forward in addressing Zambia's debt challenges and creating a more sustainable financial situation.

Zambia's total debt of \$6.3 billion owed to foreign governments, including China, will be rescheduled over a period of more than 20 years. The agreement also includes a three-year grace period, during which only interest payments will be due.

China is the largest official creditor for Zambia, with the country owing approximately \$6 billion to China. Out of this amount, \$4.1 billion is owed to the Export-Import Bank of China alone.

**Nigeria's inflation rate for May 2023 hits 24.19%.**

In May, Nigeria experienced a further increase in inflation, with the inflation rate rising by 1.13% from 22.22% in April to 24.19%. This upward trend in inflation was primarily driven by higher food prices, specifically for key ingredients like beef, tomatoes, and rice.

According to a report titled "Selected Food Price Watch" released by the National Bureau of Statistics, significant price hikes were observed in these essential food items during May 2023. The report provides insights into the rising costs of these food items, which have contributed to the overall increase in inflation.

### **Kenya's economy records 5.3% growth in the first quarter of 2023**

According to the Kenya National Bureau of Statistics, Kenya's economic growth in the first quarter of the year slowed down due to a deceleration in several key sectors, although there was a recovery in farming activities.

The country's gross domestic product (GDP) expanded by 5.3% during the first quarter, compared to 6.2% in the same period the previous year. The slower pace of growth can be attributed to reduced activity in vital economic sectors such as manufacturing, construction, and transportation.

#### **Local Business / Economic News**

### **Bank of Ghana suspends forex license of Fidelity Bank and First National Bank Ghana.**

The Bank of Ghana has taken action against Fidelity Bank and First National Bank Ghana by suspending their forex licenses for a duration of one month, effective from June 29, 2023. Additionally, both banks have been fined a total of 1000 penalty points each for violating sections 3.4, 3.5, and 3.9 of the Ghana Interbank Forex Market Conduct rules.

In an official notice, the Bank of Ghana warned all participants in the forex market, including banks, forex bureaus, forex brokers, and money transfer operators (MTOs), to strictly adhere to the relevant regulations and guidelines governing the forex market.

All stakeholders involved in forex transactions must take note of this development and ensure strict compliance with the applicable rules and regulations as outlined by the Bank of Ghana.

### **ACI Ghana assures of stability and integrity of the FX market**

ACI Ghana, the national association of financial market professionals, seeks to provide reassurance to participants and the general public regarding the stability and integrity of the forex market. This assurance comes in light of the recent action taken by the Bank of Ghana (BoG) to suspend the forex licenses of two member institutions, namely Fidelity Bank and First National Bank Ghana.

ACI Ghana aims to emphasize that despite the suspension of licenses for these two banks, the overall forex market remains stable and trustworthy. The association is committed to upholding the highest standards of professionalism, ethics, and compliance within the financial market.

ACI Ghana encourages market participants to maintain confidence in the forex market and its functioning, recognizing that the actions taken by the Central Bank are specific to the mentioned institutions and should not be seen as indicative of any broader concerns about the market as a whole.

### **Ghana first quarter real GDP increased by 4.2%**

Based on data released by the Ghana Statistical Service, Ghana's provisional real Gross Domestic Product (GDP) experienced a growth rate of 4.2% in the first quarter of 2023. This is an increase compared to the 3.0% growth recorded during the same period in 2022.

The key sectors that contributed significantly to Ghana's GDP growth were Public Administration, Defense, and Social Security, as well as Health, Education, Information, and Communication. These sectors played a vital role in driving economic expansion during the mentioned quarter.

### Financial Institutions lost GH¢56 million to fraud in 2022

According to a report published by the Bank of Ghana, banks and other financial institutions in Ghana experienced a cumulative loss of GH¢56 million to fraudulent activities in the year 2022. The report highlighted several types of fraudulent activities that significantly impacted these institutions, including forgery and manipulation of documents, fraudulent withdrawals, cheque fraud, cyber/email fraud, and cash theft.

The report highlights the importance of implementing robust security measures and fraud detection systems to mitigate the risk of such fraudulent activities. Financial institutions in Ghana are encouraged to remain vigilant and take proactive steps to safeguard their operations and protect their customers' funds.

### Ghana Stock Exchange Market Capitalization reaches its all-time high in the First Half of 2023.

The Ghana stock market has achieved a significant milestone with its market capitalization reaching an unprecedented all-time high of GH¢70.24 billion.

Market capitalization is a key indicator of the overall value of listed companies on the stock exchange. The record-breaking figure of GH¢70.24 billion underscores the positive sentiment and growing optimism among investors regarding the prospects of the Ghanaian economy and its listed companies.

The achievement of this all-time high demonstrates the resilience and attractiveness of the Ghanaian stock market as a viable investment avenue. It also signifies the potential for long-term capital appreciation and wealth creation for market participants.

### Bank of Ghana warns Savings & Loans Companies over increasing interest cost and Non-Performing Loans

The Bank of Ghana is warning Savings and Loans Companies to closely evaluate the rising cost of interest and non-performing loans. This could potentially strain their financial resources and hinder their ability to generate sustainable profits.

By issuing this warning, the Bank of Ghana aims to promote risk awareness and encourage prudent financial practices among Savings and Loans Companies. It also emphasizes the need for these institutions to closely monitor their financial health and take necessary steps to mitigate potential risks, ultimately safeguarding their profitability and contributing to a stable financial sector in Ghana.

### Conclusion / Recommendation

On the primary market, trades in the Government of Ghana treasury bill is expected to remain high though we do not expect the government to meet all of its auction targets. Also, we expect the interest rate on GOG securities to exhibit marginal increases for the coming month due to the high demand for T-bills.

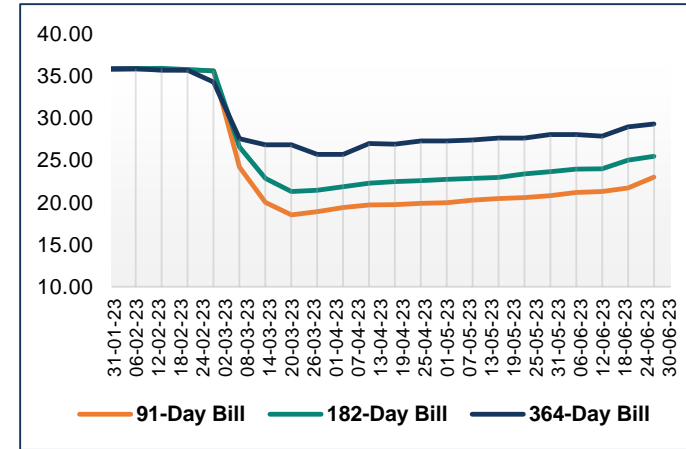
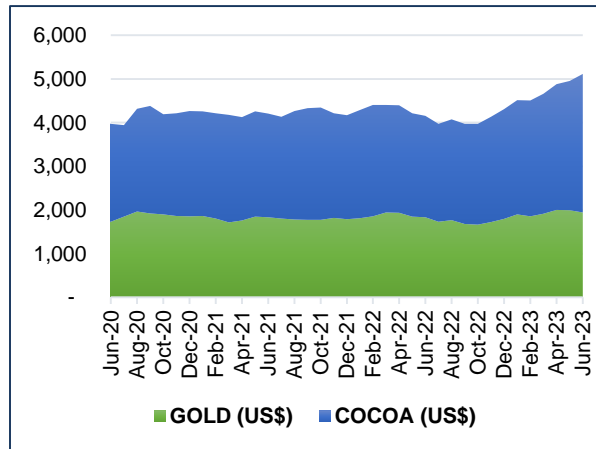
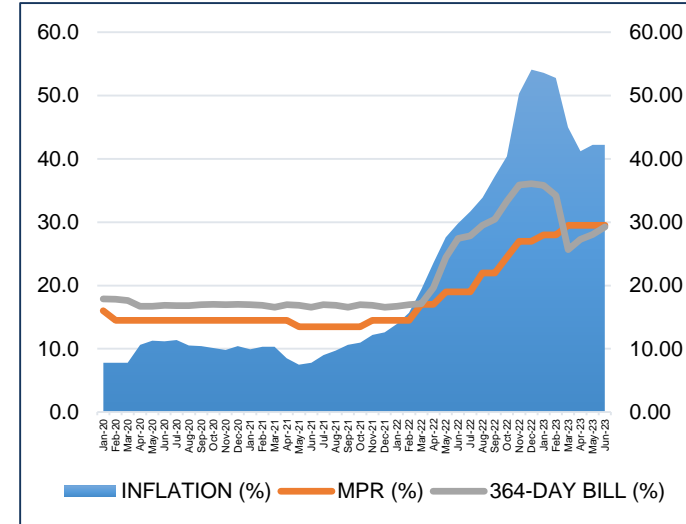
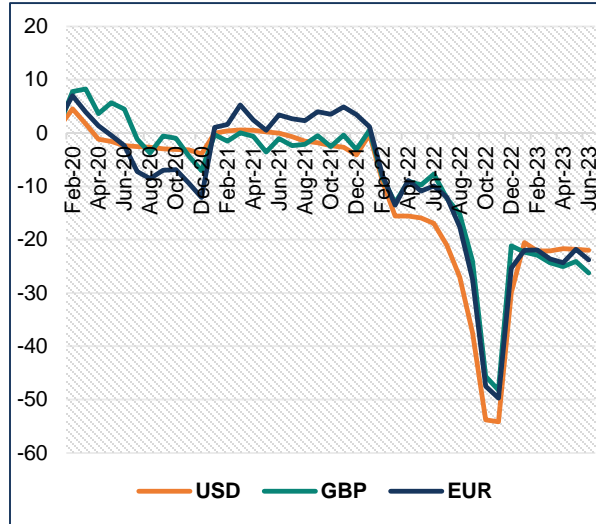
The stock market indices are still expected to exhibit mixed performances on the capital market. We expect the GSE-Composite Index to stay positive while the GSE-FSI is expected to remain negative.

On the forex exchange market, we anticipate that the value of the cedi will continue to remain relatively stable against the US Dollar.

We suggest that investors consider subscribing to the 364-Day Bill. Another option for investors is to explore fixed deposit placements with commercial banks and Repurchase Agreements (REPOs).

## Ghana Macroeconomic Highlights

Indicators	Current	Previous	Chg.
<b>GDP Growth Rate</b>	1.1%	0.8%	0.3
<b>GDP AGR</b>	*4.2%	3.2%	1.0
<b>Inflation</b>	42.5%	42.2%	0.3
<b>Monetary Policy Rate</b>	29.5%	29.5%	0.00
<b>Unemployment Rate</b>	*3.9%	3.9%	0.00
<b>Gov't Debt to GDP</b>	88.8%	79.6%	9.20
<b>Balance of Trade (US\$ mil)</b>	225	484	-259.00
<b>Current Account (US\$ mil)</b>	318	-739	1057.00
<b>Current Account to GDP</b>	-3.2%	-3.1%	-0.10
<b>Government Budget</b>	-10%	-12.1%	2.10
<b>Corporate Tax Rate</b>	30%	30%	-



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