



PRUDENTIAL SECURITIES LIMITED

MONTHLY FINANCIAL MARKET RESEARCH REPORT

FOR THE MONTH ENDING **AUGUST 2023**

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GOVERNMENT OF GHANA TREASURY BILL SECURITIES

In August, interest rates on the Government of Ghana Treasury Bill securities adjusted upwards as yields increased across all short-term papers issued on the primary market.

The interest rate on the 91-day and 182-day bills increased marginally by 1.45% m/m and 1.34% m/m respectively. This led to an increase in rates from 25.57% to 27.02% for the 91-day bill, and from 27.28% to 28.62% for the 182-day bill. Also, the yield on the 364-day bill increased from 30.49% to 31.24%, reflecting a change of +0.75%.

The continuous increase in T-Bill rates can be attributed to the government's overreliance on the safe haven asset, high inflation, and uncertainties in the financial market.

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

| Securities | 28-08-2023 | 07-08-2023 | Chg. | YTD |
|--------------|------------|------------|--------|--------|
| | % | % | % | % |
| 91 Day Bill | 27.0231 | 25.5723 | ↑1.451 | -23.58 |
| 182 Day Bill | 28.6174 | 27.2822 | ↑1.335 | -20.46 |
| 364 Day Bill | 31.2404 | 30.4913 | ↑0.749 | -12.97 |

Source: Bank of Ghana

Auction Results for August 2023

During August, investors submitted bids totaling GHS 12,393.60 million. The government accepted GHS 12,346.47 million from these bids, surpassing its auction target of GHS 12,345.00 million by GHS 1.47 million.

- The 91-Day Bill accounted for 64.02% (GHS 7,903.73 million) of the total amount accepted by the government.
- Also, the 182-day bill accounted for 26.79% (GHS 3,307.22 million) of total bids accepted by the government.
- Lastly, the government accepted 9.20% (GHS 1,135.52 million) of the 364-Day Bill submitted by investors.

See the table below for a breakdown of the auction results in August 2023

| Date | Target Amount | Amount Tendered | Amount Accepted | (Under)/Over Subscription |
|--------------|------------------|------------------|------------------|---------------------------|
| | GH¢ mil | GH¢ mil | GH¢ mil | GH¢ mil |
| 07-08-23 | 2,261.00 | 2,179.14 | 2,178.74 | (82.26) |
| 14-08-23 | 3,065.00 | 3,535.76 | 3,507.87 | +442.87 |
| 21-08-23 | 3,966.00 | 3,453.63 | 3,453.63 | (512.37) |
| 28-08-23 | 3,053.00 | 3,225.07 | 3,206.23 | +153.23 |
| TOTAL | 12,345.00 | 12,393.60 | 12,346.47 | +1.47 |

Source: Data compiled from the Bank of Ghana

FOREX MARKET

On the FX market, the cedi remained relatively stable against the US Dollar, the British Pound Sterling and the Euro.

The local currency remained relatively stable against the US Dollar as it finished August with a trading price of GH¢11.02/£, compared with GH¢11.00/£ at the start of the month, thus indicating a year-to-date loss of 22.17%.

Conversely, the cedi experienced an appreciation of 1.41% against the British Pound. The cedi traded at GH¢13.95/£, a positive shift from the GH¢14.15/£ rate observed at the beginning of the month. This improvement reduced its year-to-date loss from 27.12% in July to 26.09%.

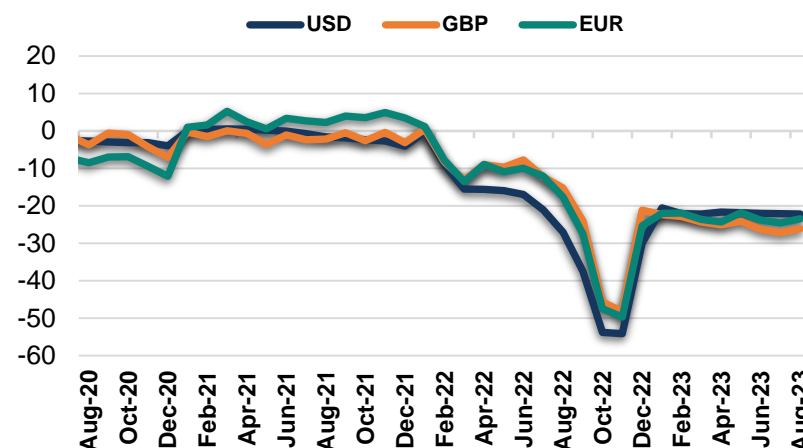
Furthermore, the cedi strengthened against the Euro, recording a monthly gain of 1.51%. The cedi was traded at GH¢11.95/€, which marked an improvement from the GH¢12.13/€ rate at the beginning of the month. This positive performance resulted in a reduction of its year-to-date loss from 24.59% in July to 23.45%.

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 | 11.0192 | 11.0034 | -0.14 | -22.17 |
| GBP/GH¢ | 10.31 | 13.9514 | 14.1482 | +1.39 | -26.09 |
| EUR/GH¢ | 9.15 | 11.9473 | 12.1272 | +1.48 | -23.45 |

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

| Currency Pair | Current Value | 1 Month Chg. (%) | 3 Months Chg. (%) | YTD (%) |
|--------------------|---------------|------------------|-------------------|---------|
| Euro/US\$ | 1.08 | -1.4 | 1.4 | 1.3 |
| Euro/GBP | 0.86 | -0.1 | -0.4 | -3.4 |
| US\$ /GBP | 0.79 | 1.3 | -1.8 | -4.7 |
| US\$ / Canadian \$ | 1.35 | 2.4 | -0.5 | -0.3 |
| US\$/Yen | 145.54 | 2.3 | 4.4 | 11.0 |

Source: Bloomberg & Invesco

GHANA STOCK MARKET

On the stock market, the GSE-Composite Index maintained a bullish trajectory, thanks to the price appreciation observed in energy, consumer staples, and telecommunication stocks. This positive trend persisted throughout the period.

The GSE-CI, which serves as an indicator of the performance of all listed stocks on the Ghana Stock Exchange, saw a notable increase of 122.72 points month-on-month (m/m). It rose from 2,976.77 points in July to 3,099.49 points in August. This substantial gain resulted in an improvement in its year-to-date returns, progressing from 21.80% in July to 26.83% in August.

Similarly, the GSE-Financial Stock Index, designed to gauge the performance of financial stocks on the local bourse, experienced a slight increase of 29.87 points m/m. It increased from 1,715.17 points in July to 1,745.04 points in August. This modest gain contributed to a decrease in its year-to-date loss, moving from 16.44% in July to 14.98%.

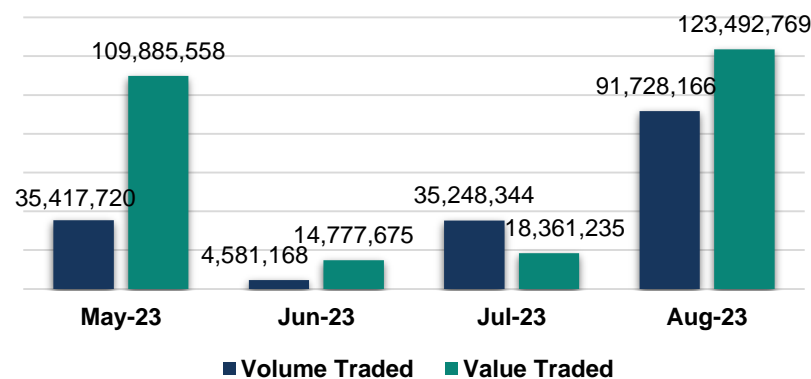
The market capitalization of the stock market saw a slight increase of 1.85% m/m, equivalent to GHS 1,334.29 million. The year-to-date returns for the market capitalization rose from 11.73% in July to 13.80% in August.

Volume and Value Traded

During the month, a total of 91,728,166 shares were traded, with a total value of GHS 123,492,769. This signifies a significant increase of 160.23% in trading volume and a corresponding surge of 572.57% in trading value when compared to the trading activities in July.

In July, a total of 35,248,344 shares were traded, valued at GHS18,361,235.

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



| | 1 month (%) | 3 months (%) | 1 Year (%) | 2 Years (%) |
|---------|-------------|--------------|------------|-------------|
| GSE-CI | +4.12 | +23.42 | +23.54 | +12.74 |
| GSE-FSI | +1.74 | +4.04 | -16.10 | -9.55 |

| | JULY 2023 | AUGUST 2023 | YTD |
|----------------------|------------|-------------|---------|
| GSE-CI | 2,976.77 | 3,099.49 | +26.83% |
| GSE-FSI | 1,715.17 | 1,745.04 | -14.98% |
| Market Cap (GH¢ mil) | 72,075.71 | 73,410.00 | +13.80% |
| Volume Traded | 35,248,344 | 91,728,166 | - |
| Value Traded (GH¢) | 18,361,235 | 123,492,769 | - |

In August, TOTAL emerged as the top gainer with its share price rising from GHS 6.80 in July to GHS 9.00, leading to a substantial increase in its year-to-date returns from 70.0% in July to 125.0%.

Benso Oil Palm Plantation (BOPP) slipped to the second spot on the list of gainers, reporting a year-to-date return of 121.44%. It was followed by MTNGH, Unilever (UNIL), and Guinness Ghana Breweries Ltd (GGBL) with year-to-date returns of 70.45%, 60.82%, and 22.93%, respectively.

The table below shows the top 5 gainers in August.

Top Gainers (August 2023)

| Stocks | Year Open (GHS) | Month Close (GHS) | Year-To-Date (%) |
|--------|-----------------|-------------------|------------------|
| TOTAL | 4.00 | 9.00 | +125.00% |
| BOPP | 7.65 | 16.94 | +121.44% |
| MTNGH | 0.88 | 1.50 | +70.45% |
| UNIL | 3.88 | 6.24 | +60.82% |
| GGBL | 2.05 | 2.52 | +22.93% |

Source: Data compiled from the Ghana Stock Exchange

Fan Milk stock (FML) took the lead among the laggards, recording a year-to-date loss of 54.67% and trading at GHS 1.36 per share.

Following behind were Ecobank Ghana (EGH), Access Bank Ghana (ACCESS), Enterprise Group Ltd. (EGL), and SIC Insurance Company (SIC) with year-to-date losses of 41.27%, 29.68%, 24.69%, and 22.58%, respectively.

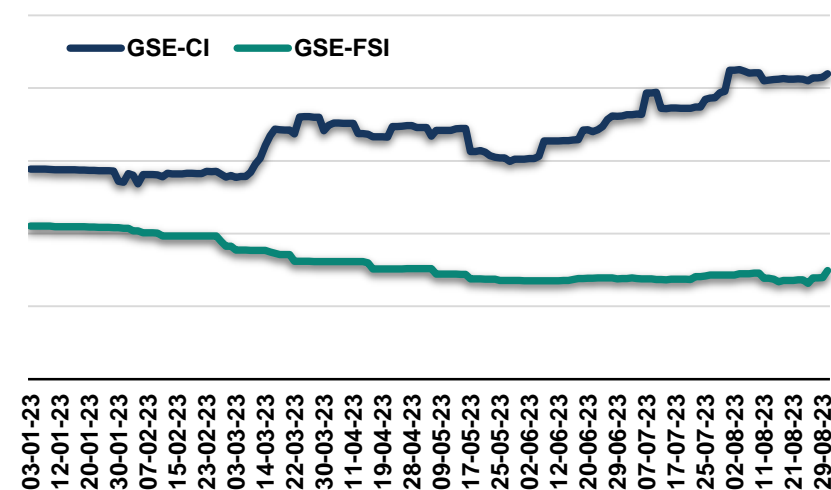
The table below shows the top 5 losers in August.

Top Losers (August 2023)

| Stocks | Price (GH¢) | Year-To-Date |
|--------|-------------|--------------|
| FML | 1.36 | -54.67% |
| EGH | 3.90 | -41.27% |
| ACCESS | 2.82 | -29.68% |
| EGL | 2.41 | -24.69% |
| SIC | 0.24 | -22.58% |

Source: Ghana Stock Exchange

The trend of Ghana Stock Market Indices



COMMODITY MARKET

Crude Oil (Brent)

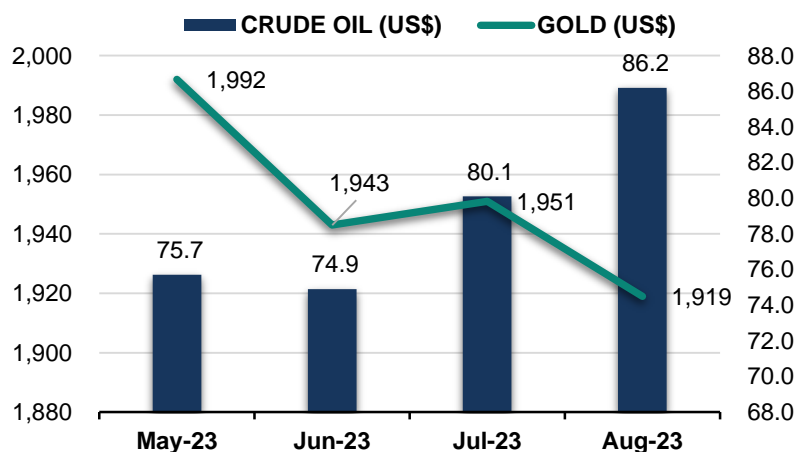
The price of crude oil reached its highest level in 2023, experiencing a significant surge of 7.62% month-on-month (m/m). This increase can be attributed to production cuts by Russia and Saudi Arabia, as well as growing demand from China.

Brent crude oil prices rose from \$80.1 per barrel in July to \$86.2 per barrel.

Gold

The prices of Gold declined in August as an increase in US bond yields affected the demand for the yellow metal.

The price of Gold eased by 1.64% m/m, from US\$1,951 per ounce in July 2023 to US\$1,919 per ounce.

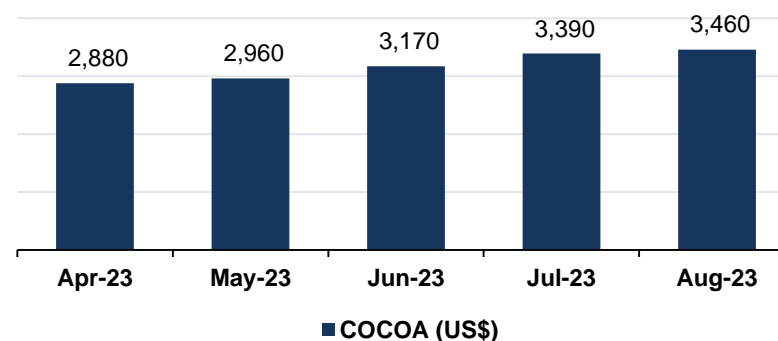


Source: World Bank Commodity Market

Cocoa

The price of cocoa beans increased further for the eighth consecutive month as traders and chocolate producers faced restricted supplies due to an unusual fall in production in the western part of Africa.

Prices of Cocoa beans increased by 2.06% from US\$3,390 per ton in July 2023 to US\$3,460 per ton.



Source: World Bank Commodity Market

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

| Commodity | Jun-23 (US\$) | Jul-23 (US\$) | Aug-23 (US\$) |
|-------------------------|---------------|---------------|---------------|
| Crude Oil, WTI (\$/bbl) | 70.2 | 76.4 | 81.4 |
| Soybeans (\$/mt) | 592.0 | 634.0 | 584.0 |
| Maize (\$/mt) | 266.9 | 242.4 | 207.6 |
| Sugar, World (\$/kg) | 0.54 | 0.52 | 0.53 |

HIGHLIGHTS OF INTERNATIONAL MARKETS

Europe

European equity markets ended lower in August as inflation and weaker consumer confidence weighed on markets.

From a sector perspective, energy and health care were the best performers. Energy was buoyed by rising oil prices, whilst health care performed strongly as investors tilted towards defensive investments. Consumer discretionary was the worst performer followed by industrials on the back of falling demand in China.

The UK

The UK equity market ended August on a downward trajectory, influenced by a combination of mixed economic data and hawkish comments from the Bank of England (BoE), which indicated a willingness to implement further interest rate increases.

Data from the Office for National Statistics (ONS) showed UK GDP grew by 0.2% in the second quarter of the year compared to the previous quarter. This showed the UK economy was resilient despite high-interest rates. The growth was higher than the 0.1% forecast by the BoE.

The US

US markets declined in August, with the Dow Jones, Nasdaq and S&P500 all posting losses. This was due to mixed economic data, and a weaker growth outlook for the economy.

Credit ratings agency Fitch downgraded the US credit rating from AAA to AA+ citing: “a steady deterioration in standards of governance over the last 20 years, including on fiscal and debt matters, notwithstanding the June bipartisan agreement to suspend the debt limit until January 2025”.

Asia

Asia’s equity markets declined in August, in line with other global equity markets. At a country level, China and the Philippines were amongst the worst performers in the region. Asia Pacific saw all sectors posting negative returns with communication services, consumer discretionary and materials leading the laggards.

China’s biggest private developer, Country Garden, missed payments on its international bonds and Zhongzhi, one of the largest wealth managers in China missed payments on its products. These events weighed on investor anxiety as this brought forward some questions about a potential spillover effect on the Chinese financial system.

Indian equity markets posted mixed performances in August. The energy sector, real estate sector, and communication services sector posted losses whilst information technology and consumer discretionary posted gains.

Emerging Markets (EM)

Emerging markets equities were negative for the month and were amongst the worst-performing equities. At a sector level, emerging markets saw weakness across the board with communication services, consumer discretionary and utilities amongst the worst-performing sectors.

Europe, Middle East, and Africa (EMEA) lagged as a whole, with equity markets in South Africa, Qatar, and Poland amongst the biggest detractors. Egyptian, Turkish and Hungarian equity markets were the only ones to finish the month positively.

Turkish markets gained off the back of all-round positive sector performances, with materials and consumer discretionary being the only detractors.

HIGHLIGHTS OF GLOBAL EQUITY INDEX PERFORMANCE

| INDEX | 1 Month % | 3 Month % | YTD % |
|-----------------|-----------|-----------|-------|
| US | | | |
| DOW JONES | -2.0 | 6.1 | 6.4 |
| S&P 500 | -1.6 | 8.3 | 18.7 |
| NASDAQ | -2.1 | 8.7 | 34.9 |
| RUSSELL 2000 | -5.0 | 9.0 | 8.9 |
| UK | | | |
| FTSE All-Share | -2.6 | 1.0 | 2.5 |
| FTSE 100 | -2.6 | 1.1 | 2.8 |
| FTSE 250 | -2.4 | 0.3 | 1.0 |
| EUROPE | | | |
| MSCI Europe | -2.5 | 1.9 | 11.1 |
| CAC 40 | -2.4 | 3.4 | 16.1 |
| DAX | -3.0 | 1.8 | 14.5 |
| ASIA | | | |
| Hong Kong HS | -8.2 | 2.8 | -4.4 |
| China SE | -5.1 | -0.4 | 3.5 |
| Singapore Times | -2.5 | 4.2 | 3.8 |
| Korean | -2.9 | -0.5 | 14.8 |
| Taiwan | -2.6 | 3.2 | 21.4 |

Source: Bloomberg & Invesco

AFRICA BUSINESS MARKET NEWS

KENYA: Nairobi Securities Exchange Launches Two New Indices

The Nairobi Securities Exchange Plc (NSE) wishes to notify the investing public that it has launched two new market indices, the NSE 10 Share Index (N10) and the NSE Bond Index (NSE-BI). The two indices will track the equities market and bonds market performance, respectively.

The N10 Index shall be based on a set of 10 companies, namely, Safaricom Plc, Equity Group Holdings Plc, KCB Group Plc, The Co-operative Bank of Kenya Limited, ABSA Bank Kenya Plc, East African Breweries Plc, NCBA Group Plc, Kenya Electricity Generating Company Plc, Kenya Re-Insurance Corporation Limited, Centum Investment Co Plc.

On the other hand, the NSE Bond Index (NSE-BI) will be a weekly index which will be distributed together with the NSE Yield curve. The index will be based on the benchmark Government bonds listed on the Nairobi Securities Exchange. It is expected that this index will form part of a fixed-rate future contract that will be issued on the NSE derivatives market. This index will be available to the market with effect from 1st October 2023.

Nigeria: Fidelity Bank completes 100% acquisition of Union Bank UK

Fidelity Bank Plc has announced the completion of the acquisition of a 100% stake in Union Bank Plc UK. This was disclosed via a press release statement sent to Nigeria Exchange Limited (NGX). The bank noted that the acquisition is aimed at strengthening its “strategic initiatives on international expansion.”

Nigeria: PZ Cussons to acquire all shares held by shareholders at N21 per share

PZ Cussons Nigeria Plc (PZCN) has announced its that PZ Cussons (Holdings) Limited plans to purchase all outstanding shares from its shareholders at a rate of N21 per share. This proposed transaction is however contingent upon approval by PZCN’s board, the company’s shareholders, and the necessary regulatory authorities.

PZCN currently has 3,970,477,045 shares listed on the Nigerian Exchange Limited (NGX).

Egypt stock exchange hits record highs

The Egyptian Exchange (EGX) 30 Index has hit record highs as investors in the North African country look to hedge themselves against rapidly rising inflation and currency devaluations. The benchmark exchange-traded near 18,850, having strengthened by over 7% in August alone. In local currency terms, the index has now risen by over 90% since the start of the year.

LOCAL BUSINESS / ECONOMIC NEWS

Inflation slowed down to 40.1% in August 2023

According to the Ghana Statistical Service (GSS), inflation declined from 43.1 percent in July to 40.1 percent in August. This can be attributed to the recent stability of the local currency and a slowdown in the pricing of goods and services.

The Eastern region recorded the highest inflation of 49.9% in August 2023, followed by the Western region (49.7%) and Bono region (47.1%). The Greater Accra region recorded the lowest inflation of 31.7%, followed by the Ashanti region with inflation of 32.6%, whilst the Ahafo registered an inflation of 33.2%.

Ghana tops African countries with the highest debt with the IMF

Ghana has maintained its spot as Africa’s most indebted country to the International Monetary Fund (IMF).

The debt at the IMF increased by 35.55% over the period under consideration, per data from the IMF’s Quarterly Finances for July-end 2023.

This accounts for 9.55 per cent of the 17.68 billion Special Drawing Rights (SDR) in total loans still owed by the Fund to African countries.

Out of the five categories of largest outstanding loans as of July 31, 2023, Ghana’s Special Drawing Rights (SDR) stood at \$1.689 billion, higher than the \$1.246 billion SDR recorded as of April 30, 2023.

CONCLUSION / RECOMMENDATION

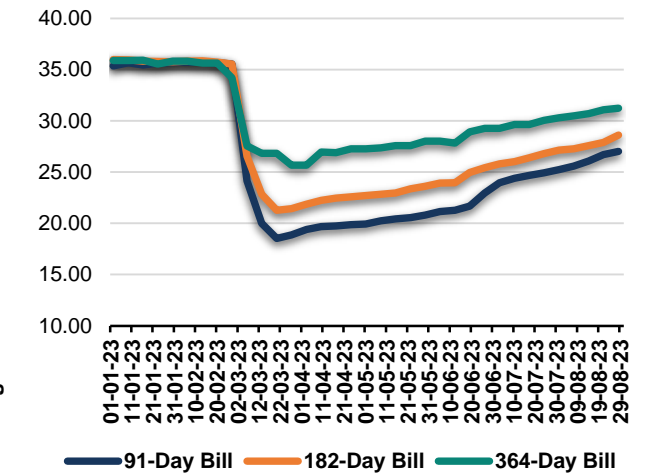
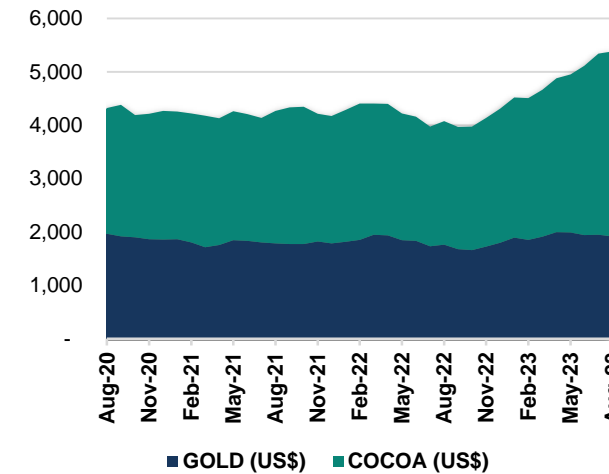
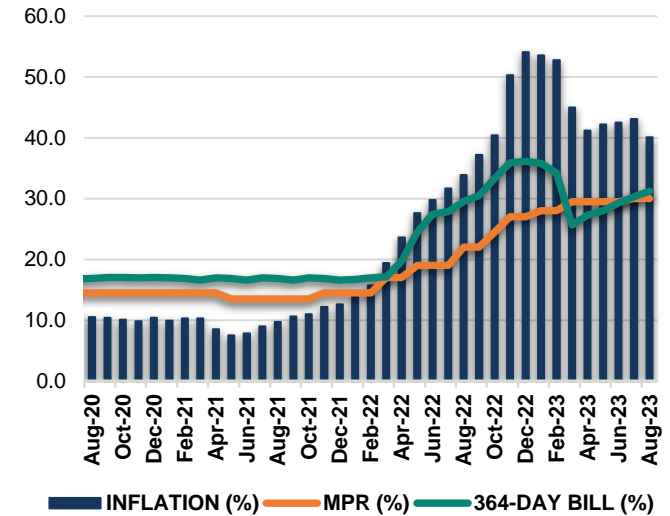
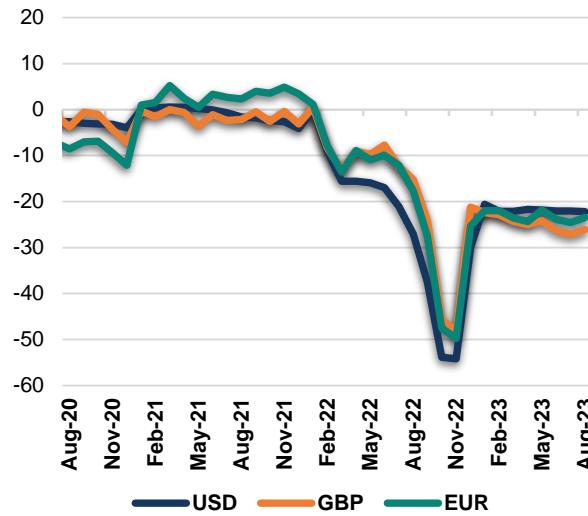
We anticipate high demand for Government of Ghana treasury bills in the month ahead. Additionally, we foresee that interest rates on GOG securities may experience slight upward adjustments in the coming month.

We do not expect much development in the stock market, as both 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.

We expect the Cedi to maintain its stability against the US Dollar. We recommend investors subscribe to the 91-Day Bill. Additionally, investors can stay short by investing in REPOS and 30 to 91-day fixed deposits with commercial banks. These strategies can help manage risk and optimize returns in the current market conditions.

GHANA MACROECONOMIC HIGHLIGHTS

| Indicators | Current | Previous | Chg. |
|-----------------------------|---------|----------|---------|
| GDP Growth Rate (%) | 1.1 | 0.8 | 0.3 |
| GDP AGR (%) | 4.2 | 3.2 | 1.0 |
| Inflation (%) | 40.1 | 43.1 | -3.0 |
| Monetary Policy Rate (%) | 30.0 | 29.5 | 0.50 |
| Unemployment Rate (%) | 3.9 | 3.9 | 0.00 |
| Gov't Debt to GDP (%) | 88.8 | 79.6 | 9.20 |
| Balance of Trade (US\$ mil) | -12.4 | 210 | -222.40 |
| Current Account (US\$ mil) | 661 | 318 | 343.00 |
| Current Account to GDP | -2.1 | -3.2 | 1.10 |
| Government Budget | -11.8 | -12.1 | 0.30 |
| Corporate Tax Rate (%) | 25 | 25 | 0.00 |



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