

FUNDAMENTALS

GHANA MPC UPDATE:

A Disciplined Cut with Conviction

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IN BRIEF

- **A cut with restrictive bias to consolidate stability.** The Bank of Ghana's Monetary Policy Committee delivered a 250bps cut in the policy rate to 15.5% in January 2026, extending its dovish pivot into the new year. The larger-than-expected cut reflects the decisive improvements in macro risks, including stronger external buffers, subdued core inflation, and firmer fiscal discipline. Despite the aggressive easing, the MPC maintained its restrictive bias, keeping the real policy rate in double digits at 10.1%. This stance reinforces our expectation that the MPC will maintain a tight policy stance through 2026 to consolidate the macro stability, with real rates likely to remain above our estimated neutral level of 5.0%.
- **We foresee renewed downward pressure ahead for domestic yields as OMO, Repo and Treasury bill rates reprice lower.** The Bank of Ghana reset OMO pricing to 400bps below the policy rate in November 2025, implying post-January 2026 OMO yields of between 11.0% – 12.0%. The first post-MPC OMO cleared at 11.99%, confirming a 250bps compression and signalling an imminent drop in Repo rates into single digits. We expect this pricing backdrop to intensify demand for T-bills as investors seek to lock-in double-digit carry, reinforced by incoming DDEP coupon flows into the belly and back-end of the curve. As pricing power shifts towards the Treasury, we expect renewed downward pressure on yields and a clearer window for the Treasury's strategic return to the domestic bond market in 1H2026.
- **Tactical profit-taking while de-risking the forex reserve mix.** We observed a sharp reduction in gold holdings from 38.0 tonnes in October to 18.6 tonnes in December 2025, lowering gold's share of Ghana's gross international reserves to 19.4% in line with peer benchmarks. The authorities redeployed the gold proceeds into FX-denominated earning assets, lifting gross international reserves to USD 13.8bn, equivalent to 5.7 months of import cover at FY2025. We view this as proactive reserve management, locking-in gains from the 2025 gold rally, reducing exposure to gold price volatility, and strengthening FX carry to support Cedi stability.

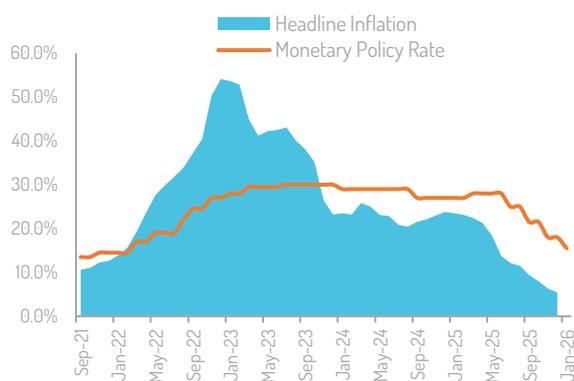
Cutting with a restrictive bias

The Bank of Ghana's Monetary Policy Committee (MPC) voted by a majority decision to reduce the monetary policy rate by 250bps to 15.5% at its January 2026 meeting, sustaining its dovish pivot into 2026.

A cut fortified by strong fundamentals. Although the MPC appeared more bullish than our forecast cut of 150bps, we are fully convinced that the decision is strongly backed by the decisive moderation in key risk indicators. Our more conservative call was premised on the uncertainty around the utility tariff hike which took effect in January 2026 and the strong Cedi liquidity on the interbank market which could revive FX pressure. However, the updated summary of economic and financial data revealed a further strengthening of external buffer (5.7 months of import), muted underlying price pressures (core inflation below 5.0%) and a commitment to fiscal discipline (better-than-expected primary surplus at 2.8% of GDP). These macro indicators suggest a firmly anchored risk across external, monetary, and the fiscal sectors, providing scope for a deeper cut than our conservative estimate.

A cut with restrictive bias to consolidate stability. Despite the sharper cut than we anticipated, we note that the policy stance maintained the restrictive bias observed since the start of rate cuts in 2H2025. For the fourth consecutive meeting with rate cuts, the MPC maintained double digits real policy rate as the latest decision leaves the real rate at 10.1%. This consistent stance of real policy rate in double digits supports our longstanding view that the authorities would favour restrictive stance for much of 2026 with double digit real rates carrying through 1H2026. For the remainder of 2026, we also expect the real policy rate to stay above historical neutral rates which we believe is around the 5.0% area.

INFLATION AND POLICY RATE PATH SINCE 2021



SOURCE: BANK OF GHANA, GHANA STATISTICAL SERVICE, IC INSIGHTS

We foresee renewed downward pressure ahead for domestic yields as OMO, Repo and Treasury bill rates reprice lower. At the November 2025 MPC meeting, the Bank of Ghana adjusted the pricing on the Open Market Operation (OMO) instruments to 400bps below the policy rate (effectively, 14.5%). Maintaining this

pricing model post-January 2026 MPC decision would imply that the yield on OMO securities would range between 11.0% and 12.0%. Unsurprisingly, the first post-MPC Open Market Operation cleared at a yield of 11.99%, reflecting a 250bps decline in OMO yields on the back of the rate cut. This will lead to an inevitable decline in the yield on Repo securities into single digits, likely between the mid-to-high single digits.

Consequently, we anticipate stronger demand for T-bills at the upcoming auctions as investors would seek to lock-in double digit rates to preserve carry on their portfolios. Additionally, we expect the upcoming coupon payment on the DDEP-bonds to further fuel the search for placement options, driving flows into the belly to back-end of the yield curve.

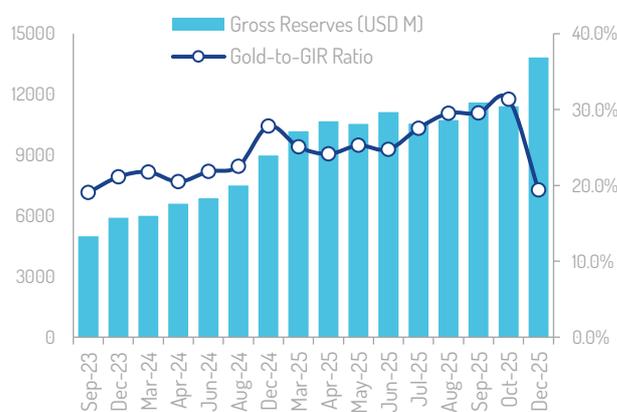
This will likely shift the pricing power in favour of the Treasury, reviving downward pressure on yields and opening the window for the Treasury's strategic bond market return in 1H2026.

Tactical profit-taking while de-risking the forex reserve mix.

We observed a notable decline in the stock of gold holdings in Ghana's gross international reserves from 38.0 tonnes (USD 3.6bn) in October 2025 to 18.6 tonnes (USD 2.7bn) in December 2025. The Governor confirmed the authorities' strategic decision to reduce gold concentration from over 30.0% of gross reserves to align with peer country ratios of between 20.0% - 25.0%. Our estimate showed a reduction to 19.4% in December 2025, albeit with a potential to rise into the band of 20.0% - 25.0% in the months ahead.

The Governor also indicated that proceeds from the sale were deployed into FX-denominated earning assets, boosting the value of gross international reserves to USD 13.8bn (5.7 months import cover) at FY2025. We view this tactical decision of selling into strength and reducing the gold stock concentration in gross forex reserves as a proactive reserve management. This locks-in the gains from the 2025 gold price rally, reduces Ghana's exposure to gold price volatility, enhances Ghana's forex reserves carry and sustains the resilient buffer for the Ghanaian Cedi.

GROSS FOREX RESERVES AND GOLD CONCENTRATION



SOURCE: BANK OF GHANA, IC INSIGHTS



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