

FUNDAMENTALS

GHANA MPC UPDATE:

Domestic Resilience Trumps Global Turbulence

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IN BRIEF

- **Cutting through the noise with conviction.** The Bank of Ghana's monetary policy committee delivered a 150bps cut in the policy rate to 14.0% in March 2026, citing confidence in the strong domestic macro fundamentals despite geopolitical risks. While we had shifted our call from 150bps cut to a hold amid the geopolitics-induced spike in oil prices, the MPC remained dovish, supported by subdued core inflation and strong external account buffer. That said, the post-meeting real policy rate remains elevated at 10.7%, reflecting continued policy restraint and shock absorption capacity.
- **Duration gains have been largely priced-in. We foresee a shift towards carry strategies.** Following the January 2026 rate cut, yields across money market instruments have fallen into single digits, [as we opined](#), with a bull-steepened curve supporting strong demand for duration. At current levels, we believe most of the capital gains have materialised, while rising inflation risks and mild sell-offs suggest cautious and selective re-entry. We expect the policy rate cut to cap yields ahead of the Treasury's imminent bond issuance.
- **Banking sector exhibiting strong fundamentals but earnings growth peaks.** The early-2026 data show that banks have largely rebuilt capital buffers, with CAR at 18.6%, and only two state-owned banks yet to fully recover, posing limited systemic risk. However, we believe earnings momentum appears to have peaked as falling rates compress net interest margins (NIMs). With NPLs still high (18.7%), we expect most banks to stay cautious on loan growth as management implements measures to comply with regulatory cap of 10.0% by end-2026. In our view, the lower NIMs amid constrained loan book growth signals peak earnings momentum with earnings growth normalisation ahead.

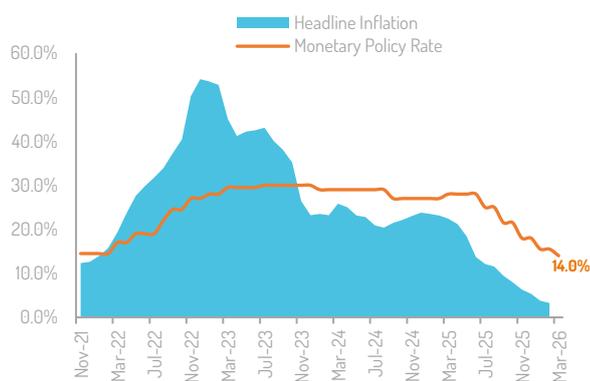
A Dovish Move: MPC shrugs off near-term risk

The Monetary Policy Committee of the Bank of Ghana delivered a 150bps cut in the policy rate to 14.0% at the March 2026 MPC meeting, citing the favourable domestic macro conditions and the high real policy rate as offsets to near-term geopolitical shocks.

Cutting through the noise with conviction. In our [initial MPC call](#) early in the Middle East conflict, we envisaged a 150bps rate cut as the double digits real policy rate provides ample scope for continued dovish bias. However, the conflict escalation which pushed crude oil prices above USD 100/bp appeared to moderately elevate the market's inflation expectation, nudging us to a [revised call for a hold](#) decision with the view that the MPC would opt for caution. Nevertheless, the authorities seemed less perturbed by the near-term geopolitics-induced shocks, signalling confidence in the improving external buffer, fiscal restraint, and a firm grip on inflation expectations. Our review of the updated summary of economic and financial data supports the authorities' confidence as core inflation (3.1%) stood below the headline inflation for the sixth consecutive month in Feb-2026, underscoring the firm grip on inflation expectation. Although the Governor was not explicit, our gauge of his tone in response to questions suggest that the authorities do not expect the conflict to be persistent. Also, the assurance of complementary fiscal mitigations with a window for emergency MPC meeting offers a safeguard against unexpected shockwaves.

Post-MPC real rate remains in double digits, sustaining policy restraint. Despite the 150bps cut, the refreshed real policy rate still comes in at a double digit of 10.7%, signalling the authorities' continued policy restraint which indicates an already built-in shock absorption capacity. We believe this underscores the MPC's less reactive posture to the near-term risk of energy price shocks.

INFLATION AND POLICY RATE PATH SINCE 2021



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

Our Market Views

Fixed Income: Duration gains have been largely priced-in. We foresee a shift towards carry strategies. Following the 250bps cut in the policy rate at the January 2026 MPC meeting, [we opined](#) that yields across Treasuries, REPOs, Fixed Deposits, and

OMO securities would decline into the mid-to-high single digits. We believe this expectation has been realised as T-bills now range between 4.7% – 9.4%, with the trough firmly in sight. We also note a bull steepening in the domestic yield curve as liquidity-laden institutional investors deepened the duration search with bond yields bottoming-out along 9.7% – 13.0% before the recent mild upticks.

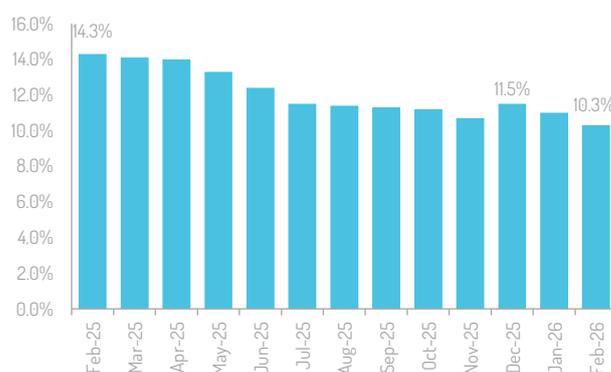
In our opinion, the bulk of capital gains from duration exposure has already materialised as our weighted yield-to-maturity (YTM) on the DDEP-bonds fell to 11.6% at the end of Feb-2026 (vs 15.4% in Dec-2025) before climbing to 12.3% at close on 18 March 2026. With emerging downside risk to bond prices amidst elevation in inflation risk and renewed sell-side orders, we expect investors to maintain selective re-entry and tactical flexibility to capture curve re-pricing opportunities. In our opinion, the recent bond market sell-side orders reflect offers by non-portfolio holders to unlock liquidity rather than a broad-based selling pressure. We view the 150bps cut in the policy rate as an offset to the recent yield uptick.

We also expect the Treasury's return to domestic bond issuance in the upcoming couple of weeks and the latest policy rate cut provides a cap on yields ahead of the transaction launch.

Banking sector exhibiting strong fundamentals but peak earnings growth. The early-2026 banking sector data confirmed that capital buffers have been largely restored to pre-DDEP levels with Capital Adequacy Ratio at 18.6% while the Governor noted that only two banks are yet to fully recapitalise. We think the two banks are state-owned institutions with limited systemic risk.

However, we believe that the momentum in earnings has peaked with profit growth in FY2026 expected to normalise amidst the compressed interest rates environment. Notably, we observed that net interest margins (NIM) compressed to 10.3% in Feb-2026 from 11.5% at end-2025 and 14.3% a year earlier. This suggests that banks would require strategic loan book expansion to sustain funded income as high-yielding assets mature with fee-based income providing a backstop. However, the elevated NPL ratios (18.7%) with expected correction to the regulatory cap of 10% by end-2026 will constrain risk-taking, normalising earnings growth

NET INTEREST MARGIN OF THE BANKING INDUSTRY



SOURCE: BANK OF GHANA, IC INSIGHTS



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