



RATES COMPASS

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The Price of Believing



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IN BRIEF

- In our last edition, we argued that Ghana's rates market was moving from a liquidity story to a credibility story. The first eight months of 2026 proved that. Inflation is down to 5.0 percent, the policy rate to 14.0 percent, debt holds at about 46 percent of GDP, and the IMF has revised Ghana's debt distress risk from high to moderate. Yet the curve repriced upward from April, a sign the market is charging for stresses beneath the recovery.
- Two stresses stand out. The first is that the huge additional issuance of some existing Treasury bonds have pushed yields up by roughly 150 to 200 bps. The second is the currency. The cedi is down about 9 percent this year. Gold-related FX inflows remain the key stabilizing factor, but with gold trading roughly 17 percent below its January peak and much of market demand met through GoldBod flows, reserve accumulation has slowed. Consequently, reserves fell from USD 14.2 billion in March to USD 12.0 billion in September, limiting the Bank of Ghana's capacity to absorb demand pressures.
- Liquidity is shaping the market more than ever. Coupons and maturities return cash to investors and compresses Treasury bond, and bill yields in those periods. The 18 August coupon paid GHS 10.8 billion and reaffirmed the pattern. We expect the same in February and August 2027, when two to four times that liquidity is paid.
- The cedi weakness we expect has a hedge that pays. With the Eurobond price rally fading, income now carries the return, and the 2029s offer attractive dollar income for cedi portfolios at a yield near 6.0 percent. The key risk to watch is the US Federal Reserve, where persistent inflation pushes the authorities further onto a hawkish interest rate path.
- Our strategy is to buy the belly of the curve, the 2029 to 2031 maturities, while keeping an eye on fiscal discipline indicators. The payoff for extending duration today is not justified in either local bonds or Ghana's Eurobonds. We recommend prioritising liquidity and defensiveness to capture temporary dislocations in price across the curve while the path towards a sustained macro recovery becomes clearer in the next 6 to 12 months.

Introduction

The market tells you what it thinks of a country's recovery, and it does so through the yield. When investors believe the story, they lend cheaply. When they have doubts, they charge for it.

And from the start of the year through March 2026, investors priced recovery in Ghana's Treasury securities. The results were also visible in the headline figures. Inflation fell from 9.4 percent in September 2025 to 5.0 percent by August 2026. The policy rate has declined from 21.5 percent to 14.0 percent over the same period and the 91-day bill now trades at decade lows. Foreign investments in domestic assets turned positive around USD 156 million in the first quarter, and holders of longer-dated bonds were well rewarded. On the surface, the recovery looked smooth.

Exhibit A. Macro Snapshot

	Sep-25	Mar-26	Latest (14 Sep)	Chg from Mar
Headline Inflation	9.4	3.2	5.0	+180 bps
Monetary Policy Rate	21.5	14.0	14.0	+0 bps
364-day bill	12.9	9.8	10.1	+30 bps
91-day bill	10.5	4.8	4.7	-10bps
Real 91-day yield	+1.1	+1.6	-0.3	-190bps
Real 364-day yield	+3.5	+6.6	+5.1	-150 bps

Source(s): Ghana Statistical Service and Bank of Ghana

In the second quarter of 2026, the market started pricing a different story. Rather than a story of recovery, it began pricing a story of stress. Treasury bill and bond yields rose, while the currency depreciated sharply.

The mid-year budget has since reaffirmed the fiscal anchor and, with it, the recovery story. But the first eight months of 2026 have also shown that the story is still evolving. There are stresses running beneath the headline numbers, surfacing first in the currency, then in Treasury operations, which resulted in a higher yield curve until the August coupon liquidity pulled it down. The Treasury is walking a fine line, and investors must walk one too, taking the risks that still pay, while avoiding the ones that no longer do.

This edition of the Rates Compass outlines the forces that shaped Ghana's market through the first eight months of the year and what they mean for investors. It then turns to Ghana's Eurobonds, weighs the risks worth watching into 2027, and closes with how best to position for what comes next.

Forces shaping the market

Ghana has completed its three-year Extended Credit Facility (ECF) arrangement with the IMF, closing the sixth and final review with all but one performance criterion met, a genuine signpost for a country that had carried the debt exchange as a scar and returned to the Fund for the seventeenth time. Ghana is following the programme with a 36-month Policy Coordination Instrument (PCI), an unfunded arrangement that relies on the Fund's credibility rather than its money.

Beneath that anchor, three core forces shaped the market over the first eight months of 2026. They are:

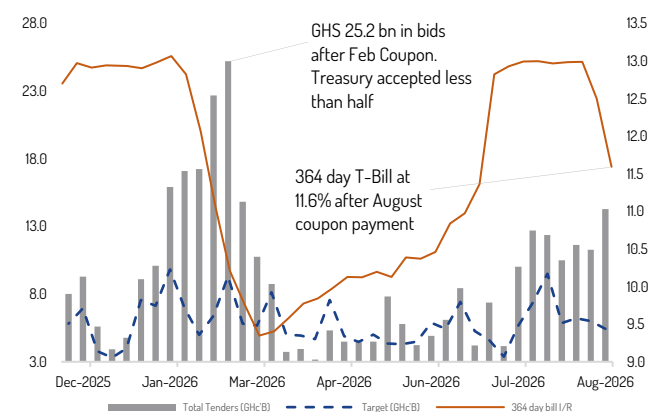
- Excess market liquidity
- Treasury supply
- Currency pressure

Excess market liquidity

Post-DDEP investor behaviour has changed. Investors who had deliberately avoided Treasury securities in favour of repos and fixed deposits returned to buying bonds and bills as inflation moderated and the macro backdrop improved through 2025. That behaviour strengthened in 2026. The Monetary Policy Committee cut rates by 400 bps between January and March 2026. February coupons on the restructured bonds paid about GHS 10 billion to investors, and maturing bills paid tens of billions more. With few options available, the cash flowed back into Treasury securities. Weekly auction bids that had run in single-digit billions late last year rose above GHS 17 billion in early February and passed GHS 25 billion by month end. At the peak, the Treasury turned away more than half the demand. The increased demand compressed yields, but the compression did not last. Once the liquidity dried up, yields began rising again within four to five weeks.

August then repeated the pattern. The 18 August coupon paid GHS 10.8 billion, and at the first Treasury bill auction after the payment, bids reached GHS 14.3 billion against a GHS 5.4 billion target. The Treasury accepted GHS 5.9 billion and turned away nearly 60 percent. Yields dropped across the board with the 364-day at 11.6 percent, about 140 bps below where it stood two weeks earlier.

Exhibit B. The Liquidity Wave



Source(s): Bank of Ghana

This is the new pattern. It was not there immediately after the restructuring, nor through 2024 and the first half of 2025, when investors were still cautious about Treasury securities. It has emerged only as the recovery has taken hold. In the medium term, we expect it to hold, barring a significant derailment of the recovery. Coupons and maturities return cash to investors who still have limited options to invest, and that cash finds its way back into the bond market and Treasury bill auctions. Yields compress in those windows when the Treasury pays out, then ease back once the cash is spent.

The calendar ahead holds a bigger version of the same event. In February 2027 and February 2028, the Treasury repays maturities worth roughly three to four times the liquidity of the coupon paid in February 2026. In August 2027 and August 2028, the amount is about twice what was paid in August 2026. This year showed what that does. Coupon liquidity floods both the primary and secondary markets, lifting auction demand and chasing Treasury bonds, and pushing yields lower across the curve. We expect the same mechanics again, but on a larger scale, and recommend positioning beyond the 2027 and 2028 maturities. The 2029 to 2031 segment of the curve offers a better risk-adjusted return, keeping the portfolio earning through the liquidity window rather than crediting it with cash when reinvestment risk is highest.

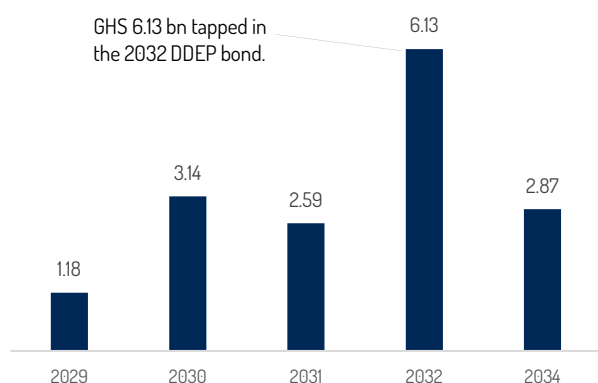
Treasury supply

In 2025, the Treasury continued to rely heavily on Treasury bills following the debt exchange. While this provided accessible funding in the short term, it concentrated repayments into a narrow period, forcing it to refinance large amounts of debt month after month. One of the key objectives of the Medium-Term Debt Strategy was to reduce this reliance on Treasury bills and lengthen the maturity profile of domestic debt. The strategy targets a Treasury bill share of 15±5 percent of domestic debt. At about 41 percent as of June 2026, the Treasury runs at roughly twice the top of that band.

The Treasury had its first real opportunity to improve its debt profile in 2026, as inflation fell, foreign investors returned, and rates declined. The post-DDEP restriction on issuing new bonds had also expired, clearing the way. In April 2026, the Treasury issued a new 7-year bond (coupon of 12.5%), its first since the debt exchange. The move was widely seen as prudent and consistent with the government's debt management objectives.

Beyond the new bond issuance, the Treasury also tapped existing restructured bonds during the year, increasing the volume of securities supplied to the market. Investors absorbed the additional issuance, but the timing and scale of some taps were not fully anticipated. This appears to have contributed to a repricing of the curve: the 2027 bond yield remained broadly unchanged, while yields across the rest of the curve increased by approximately 150–200 bps between April and mid-July 2026. The market response suggests that the repricing was driven not only by higher supply, but also by uncertainty around the expected issuance path.

Exhibit C. Treasury Taps



Source(s): Ghana Fixed Income Market (GFIM)

The increase in yields has implications for future borrowing costs, but the more important issue is the information signal embedded in the taps. Extending the maturity profile is consistent with the broader objective of improving the structure of domestic debt and is generally understood by investors. However, where additional issuance falls outside prevailing market expectations, investors may require a higher yield to compensate for uncertainty around future supply.

This is particularly relevant in a market where liquidity remains relatively shallow, and the investor base is still adjusting to the post-debt-exchange environment. In such conditions, changes in expected supply can have a disproportionate effect on pricing. The taps do not materially change the broader recovery narrative, but they highlight the importance of issuance predictability in anchoring the yield curve.

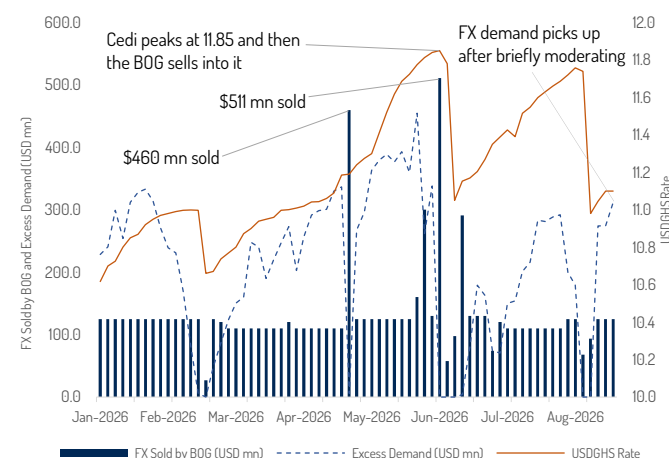
Currency pressure

The cedi remains highly sensitive to Ghana's FX demand-supply balance. Its 41 percent appreciation in 2025 was a major departure from the historical depreciation trend and was supported by stronger gold-related FX inflows and reserve accumulation. Gross reserves reached USD 14.2 billion by March 2026, strengthening the Bank of Ghana's capacity to absorb currency volatility.

FX pressure re-emerged in 2026 as demand increased from dividend repatriation, import restocking and higher petroleum imports, which rose from USD 3.3 billion to USD 4.8 billion year on year by August. The cedi weakened from 10.50/USD at the start of the year to 11.85/USD in June, before recovering to 11.25/USD at end-August and weakening again to 11.55/USD by 18 September.

Gold-related FX inflows remain the key stabilising factor. A significant share of market demand is being met through GoldBod flows, meaning higher FX demand primarily slows the pace of reserve accumulation rather than necessarily causing an equivalent reserve drawdown. Reserves declined from USD 14.2 billion in March to USD 12.9 billion in June and fell again to USD 11.1 billion in August, as GoldBod export flows were more irregular than in the previous quarter while other USD liabilities drew on reserves in the period the Bank of Ghana was not receiving export proceeds. Reserves have since recovered to USD 12.0 billion as of 22 September, but the key sustainability test is whether recurring FX demand and liabilities can continue to be covered by gold inflows, other external receipts and available central-bank supply.

Exhibit D. FX Sales and the Cedi



Source(s): Bank of Ghana

The larger medium-term risk is valuation. The sharp nominal appreciation in 2025, combined with Ghana's historically higher inflation relative to trading partners, generated significant real appreciation. Inflation falling to 5.0 percent in August 2026 has reduced this pressure, but we expect the inflation differential to widen again as domestic inflation normalises.

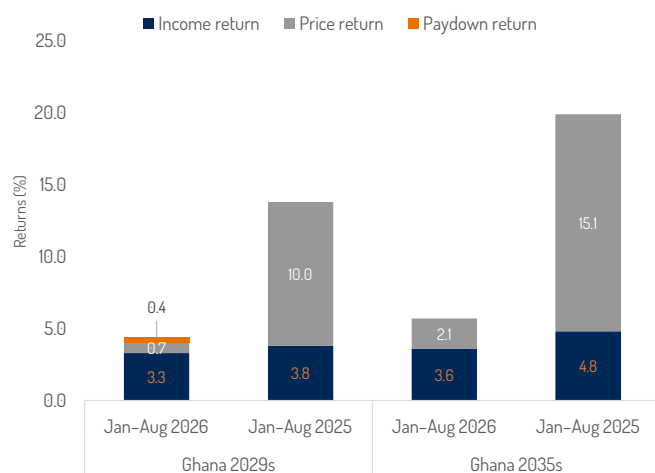
Accordingly, our base case is for renewed but gradual depreciation over the medium term rather than a sharp correction. Strong gold inflows and sustained inflation convergence would support a stronger cedi, while weaker gold prices, higher oil-related FX demand, tighter external financing or a wider inflation differential would increase depreciation pressure.

Eurobonds: The price rally is fading, income remains

Since the debt restructuring, Ghana's Eurobond returns have been driven primarily by price appreciation, as the authorities, alongside the IMF, worked to repair the macroeconomic foundations. From the start of trading in October 2024, the 2029 bonds have returned 57 percent, comprising 48 percent from price appreciation and 9 percent from income.

That return dynamic is now fading. In the first eight months of 2025, the 2029s returned 13.8 percent, of which 10.0 percentage point came from price. In the same period this year, the 2029 Eurobond returned just 4.4 percent, with 3.3 percentage point coming from income and almost nothing from price. The 2035s show the same rotation: returns fell from 19.9 percent to 5.7 percent, but income has become the dominant contributor.

Exhibit E. Eurobond Return Decomposition



Source(s): Bloomberg

The message is straightforward. The repricing trade is maturing, and the next leg of Ghana's Eurobond returns will have to come from carry, not another large price rally.

The FOMC's projected interest rate path continues to support our view of limited upside for price returns across Frontier and Emerging Market Eurobonds. The Fed began a renewed tightening cycle on 16 September 2026, raising the federal funds rate from 3.50–3.75 percent to 3.75–4.00 percent and effectively ending a two-year easing cycle. The reason the Fed gave for the hike was to bring inflation back to the 2 percent target in a timely manner. The accompanying dot plot indicates that 16 of the 18 participants expect at least one additional 25 bps rate hike before year-end. This broadly aligns with our expectation that the Fed will maintain a hawkish stance through the remainder of the year. Current US inflationary pressures remain largely supply-driven, reflecting elevated oil prices and trade war disruptions. Given that monetary policy is generally less effective in addressing these supply-side pressures, we expect the Fed to keep policy restrictive for longer rather than pivoting to a more dovish stance while these headwinds persist.

Against this backdrop, we see value at the short end of the curve, specifically in the 2029s, which still offer attractive income and a hedge against currency depreciation for cedi portfolios. We will continue to monitor US markets and the economy, particularly as attention shifts between trade tensions, geopolitical events, and the Fed's rate posture.

Key risks

1. **Refinancing and rollover risk:** Treasury bills are about 41 percent of domestic debt as of June 2026, roughly twice the top of the Medium-Term Debt Strategy's 15±5 percent band, and every 364-day bill sold now matures into 2027 in addition to the 2027 DDEP bond wall. This raises the refinancing risk the Treasury carries into 2027, and yields will follow if the plan for those maturities is not set out clearly.

What we are monitoring: Weekly, the Treasury bill auctions, the 364-day clearing yield, and Treasury bill bid to cover. Quarterly, the Treasury bill share of domestic debt against the 15±5 percent band, additional bond issuance, and sinking fund credits.

2. **US-Iran war spillover:** The conflict reaches Ghana through the oil bill. The oil import bill ran USD 4.8 billion over the first eight months, up from USD 3.3 billion a year earlier, and the gap widens the longer the war runs. Brent averaged USD 61.6 per barrel in December 2025 and USD 103.2 in April 2026. It touched USD 116 at the height of the Strait of Hormuz disruption and traded near USD 86 in late August 2026 but has since climbed back above USD 100 in September. Pump prices rose for six consecutive windows and inflation followed, off its March trough of 3.2 percent to 5.0 percent in August. A renewed spike narrows the trade surplus, pressures the cedi, and pushes inflation higher.

What we are monitoring: Brent against the USD 75 per barrel budget benchmark and the monthly petroleum import bill. Brent sustained above USD 90.0 continues to drive inflation and pressures the cedi.

3. **Falling gold price:** Gold was 67 percent of 2025 exports at USD 21 billion and paid for the trade surplus, the reserve build to USD 14.2 billion as of March 2026, and the cedi's appreciation in 2025. Spot fell from a January peak near USD 5,600 per ounce to about USD 4,000 in mid-July, and traded near USD 4,700 in late August 2026, still roughly 17 percent below the peak. A continuous drop reduces exports, the reserve build slows, the cedi begins to lose its anchor.

What we are monitoring: Spot gold prices, monthly gold export receipts, import cover, and delivery on the GHS 5 billion budget reallocation to reserve accumulation. Two or more consecutive months of falling receipts against flat reserves would tell us the anchor is slipping.

4. **US rates:** We are moving into a hawkish rate environment. The Federal Reserve raised rates by 25 bps on 16 September to 3.75 to 4.00 percent on a unanimous 12 to 0 vote, its first hike since July 2023, and the fresh projections pencil in one more before year-end. Another hike strengthens the dollar and tightens frontier carry, pulls the external prop from under the cedi, and forces more intervention from the Bank of Ghana.

What we are monitoring: The FOMC path, the Dollar Index, and US inflation prints, since US inflation will decide whether the pencilled-in hike gets delivered. A delivered hike drains the foreign inflows that have helped support the cedi, and it is the trigger to add more currency protection.

5. **Post-IMF programme drift:** The ECF is complete, and the Policy Coordination Instrument that follows it carries no money. That matters for discipline. Under the ECF, the IMF could withhold a disbursement if the government slipped. Under the PCI there is nothing to withhold, so the only cost of slippage is reputational. This weaker anchor arrives just as the December 2028 election approaches, and Ghanaian election years

have a record of fiscal slippage. The first half's restraint is the strongest evidence in the government's favour, but the PCI is only as strong as the will to keep producing quarters like it.

What we are monitoring: The primary balance against the 1.5 percent of GDP surplus target, net domestic financing against the GHS 71 billion plan, and the first PCI review. A third-quarter primary balance below 0.5 percent of GDP is the signal the anchor may be slipping.

Closing thoughts

The first eight months of 2026 affirmed the recovery the headline numbers promised, but stresses remained beneath them. A Treasury that tapped bonds, a curve as much as 150–200 bps costlier since April, and a currency that needed the central bank's hand. Recovery from default was never going to be automatic. It is a test of behaviour, and the rest of the year is where the test gets marked.

Default is not the immediate question, but the 2022 debt exchange showed that government debt is no longer risk free, and that the default risk is a risk to monitor closely going forward. What the market will price between now and February 2027 is the funding path the Treasury takes, and how clearly it explains it. Discipline and a clear issuance calendar pull the curve back down and reopen the door to long term funding. More off-calendar supply keeps the market charging for the uncertainty.

We therefore favour positioning for the uncertainty while being paid to wait. In the belly, we see value in the 2029 to 2031 maturities. They sit beyond the near-term maturity hump and keep the portfolio earning through the February 2027 and February 2028 liquidity windows. They also pay the extra yield the market is offering while trust is being rebuilt, without taking the full duration risk of the long end. With Eurobonds, we expect returns to be driven by income over further price appreciation. The 2029s offer attractive income and serves as a hedge against the gradual cedi depreciation we expect through 2026 and 2027.

Ghana is rebuilding its market from the ground up, and each disciplined quarter takes local debt a step closer to trading as the risk-free asset it once was. That day is not here yet. Until then, positioning at the belly offers the best value.



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