

SSA Market Review

Malawi: Authorities Reach a Staff Level agreement with the IMF for A Rapid Credit Facility Under the Food Shock Window

The International Monetary Fund reached a staff-level agreement with the government of Malawi for Rapid Credit Facility through the Food Shock Window.

Thus, Malawi is the first low-income country to get a staff-level agreement to receive emergency financing through the new Food Price Shock window under the Rapid Credit Facility. The government will receive up to US\$88.4 million (50% of the quota). As an additional layer of precaution, the government requested Program Monitoring with Board Involvement.

The emergency assistance will support Malawi in navigating its urgent balance of payments difficulties arising from the global food crisis. The additional layer of Monitoring with the Board's involvement is aimed at getting the IMF Board's support and inputs into ongoing economic reforms to restore macroeconomic stability and provide a springboard for a robust recovery.

The Malawi authorities have also commenced a comprehensive debt restructuring program towards restoring debt sustainability, a pre-requisite ahead of the IMF Board's consideration of the request. Additionally, the ongoing structural reforms in the monetary, fiscal and external sectors could complement the debt restructuring efforts in building a solid foundation for inclusive growth.

Ghana: Authorities Advance Negotiations with the IMF; Hopeful of Staff-Level Agreement by end Dec-2022

Following the IMF/World Bank Annual Meeting in Washington DC, the Ghana and IMF officials held a series of meetings to advance negotiations on Ghana's application for Fund support.

At the end of the latest round of negotiations, the IMF staff and the Ghanaian authorities reported progress in talks. In a press update, the finance Ministry indicated that they had agreed on a clear path toward the final details of the program with the IMF staff and expressed commitment and optimism to reach a staff-level agreement by the end-year 2022. The discussions also considered fiscal sustainability, and the authorities expect the IMF negotiations to continue as the IMF team is scheduled to return to Ghana in the coming weeks.

We believe the speed of the negotiations and the sense of urgency in reaching a staff-level agreement are commendable, as Ghana needs a program by 1Q23. We expect the next mission to potentially conclude on the Enhanced Domestic Program proposed by the government for inclusion in the 2023 budget in mid-November 2022. In the meantime, the uncertainties continue to fuel bearish market sentiments. Thus, amidst the heightened yield environment, we expect the Treasury to hold off refinancing transactions to avoid locking in punitive costs.

SSA: Snapshot of Benchmark 91-Day Yields

	Current	Previous	w/w Change
	Week (%)	Week (%)	(%)
Nigeria	6.47%	6.47%	0.00%
South Africa	6.12%	6.12%	0.00%
Uganda	11.46%	11.46%	0.00%
Egypt	16.18%	16.03%	0.16%
Kenya	9.10%	9.06%	0.04%
Tanzania	3.00%	3.00%	0.00%
Zambia	10.00%	10.00%	0.00%

Source: GCB Capital Research, Central Bank Websites

The Ghana Market Summary

	Current	Previous	Change
Monetary indicators			
Interbank Interest Rate (%)	24.96%	24.15%	0.81%
Inflation (12-month average)	22.38%	22.38%	0.00%
Monetary Policy Rate (%)	24.50%	24.50%	0.00%
The Ghana Reference rate (%)	27.44%	27.44%	0.00%
GoG T-Bill Auction Summary			
91- Day Bill issued (GH¢)	1,142.76	830.33	37.63%
182 - Day Bill issued (GH¢)	167.41	94.34	77.45%
364 -Day Bill issued (GH¢)	0	49.84	-100.00%
91 - Day Bill Yield (%)	32.16%	31.39%	0.76%
182 – Day Bill Yield (%)	33.08%	32.24%	0.84%
364 – Day Bill Yield (%)	32.07%	32.07%	0.00%
Bid/Cover ratio	1.000	1.000	0.00
Target coverage	0.84	1.08	-0.24
Maturity Coverage	0.91	0.90	0.01
Target for Upcoming Auction	1,124.00	1561	-27.99%
Upcoming Maturing T-bills	1,056.74	1,447.05	-26.97%

GCB Capital Research | Bank of Ghana

The Ghana Fixed Income Market in Focus

- Demand for T-bills at the auction fell short of the target, and the refinancing obligation for the second consecutive week.
- The Treasury received and accepted bids worth GH¢1.31bn from the offer of 91-day and 182-day bills, which fell 16% short of the auction target and 9% short of the maturity due today, October 24, 2022.
- The 91-day (32.16% | +76bps w/w) and the 182-day (33.08% | +84bps w/w) continued to ascend amidst the increased uncertainty and tightening liquidity conditions.
- The increased cash preference amidst rising inflation and depreciation pressures could further undermine demand for T-bills going forward.

Auction performance: The Treasury raised GH¢1.31bn from the offer of 91-day and 182-day bills last week against an auction target of GH¢1.56bn and a refinancing obligation worth GH¢1.45bn due today, October 24, 2022. The bid and uptake translate into a target coverage of 0.84x and a maturity coverage of 0.91x.

GHS liquidity levels continue to tighten, with the interbank interest rate rising above the policy rate to 24.9% (+81bps w/w), and the prevailing uncertainties underpinned the shortfall in demand. Consequently, nominal yields surged, with the 91-day offer clearing at 32.16% (+76bps w/w), while the 182-day yield climbed to 33.08% (+84bps w/w).

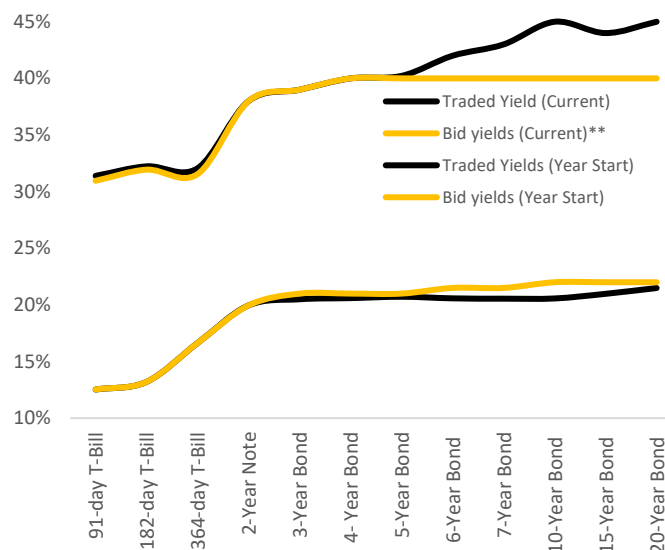
Increasing Cash preference amidst the rising price levels and the prevailing uncertainties could undermine demand for T-bills: We note a steady increase in the interbank interest rate to 24.9% last week (+81bps w/w), indicative of tightening GHS liquidity levels. Additionally, the rising cost of goods and services due to the sustained run of inflation and continuous exchange rate depreciation could increase the transaction demand for money and undermine investors' appetite for T-bill.

The Money Market in the Week Ahead: The Treasury will attempt to raise a gross size of GH¢1.12bn at the offer of 91-day to 364-day bills to roll over upcoming maturities estimated at GH¢1.06bn. Given the tightening GHS liquidity levels, the prevailing market uncertainty, and the increasing cash preference as well as demand for T-bills could overwhelm going forward.

Review of the Secondary Fixed Income Market

Trading Dynamics: Investors turned over an aggregate volume worth GH¢3.63 (+31.48% w/w) last week across the 3-Year to 20-Year tenors on the GFIM. The market closed in a net-offered position with offers for the 2023s, 2024s and the 2025s quoted around the 42% to 44% levels. The 2022 - 2027 tenors accounted for about 89.8% of aggregate turnover. The yield curve now ranges between the 32% and 47% levels.

Trading idea: The market remains uncertain as negotiations with the IMF advance, reflecting short-term tenor preference. Investors could still swoop for attractive yields on notes and bonds with a shorter residual term to maturity.



Source: GCB Capital Research | Bank of Ghana | Central Securities Depository

Ghana's Outstanding Eurobonds					
Maturity (Coupon)	Bid Price	Bid Yield	Ask Yield	Mid-Yield	w/w Δ
07-Apr-25 (0)	38.8	42.25	41.75%	44.3%	3.41%
16-Feb-26 (8.13%)	44.5	47.5	51.97%	54.3%	6.09%
11-Feb-27 (6.38%)	37.3	39.25	43.15%	44.4%	4.13%
26-Mar-27 (7.88%)	38.8	40.75	41.79%	42.9%	3.05%
07-Apr-29 (7.75%)	35.0	37	34.08%	35.0%	2.14%
16-May-29 (7.63%)	35.0	37	33.41%	34.3%	2.20%
14-Oct-30 (10.75%)	69.6	71.625	18.09%	18.4%	0.86%
26-Mar-32 (8.13%)	34.9	36.875	27.97%	28.7%	1.69%
07-Apr-34 (8.63%)	34.3	36.25	27.38%	28.1%	1.89%
11-Feb-35 (7.88%)	34.1	36.125	25.11%	25.8%	1.74%
07-May-42 (8.88%)	34.0	36	25.20%	25.9%	1.95%
16-Jun-49 (8.63%)	33.8	37.75	24.22%	24.9%	2.01%
26-Mar-51 (8.95%)	34.0	36	24.91%	25.6%	2.07%
11-Mar-61 (8.75%)	33.8	35.75	24.46%	25.2%	2.22%

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