

December 28, 2022

### SSA Market Review

#### Nigeria: Government Seeks Approval to Restructure US\$51bn of CB Emergency Assistance into a 40-Year loan; Requests extra CB Financing

President Muhammadu Buhari has approved a supplementary budget worth US\$2bn for the 2022 fiscal year. The additional expenditure forms part of the government's continuing efforts to address the impact of the severe flood that destroyed farmlands, roads and dams, leading to rising food insecurity and high inflation.

The additional expenditure will be financed from domestic sources, increasing the fiscal deficit for FY22 to 4.43% of GDP. Given the weak domestic revenue collection, this growing domestic debt portfolio is increasing fiscal vulnerabilities amidst the high risk of interest rate shocks in the immediate term.

In a separate letter to the Senate, the government is seeking approval to procure an additional loan of about US\$2.24 billion from the Central Bank. The request also includes a proposal to restructure US\$51 billion of "emergency financing" from the CBN into a 40-year loan at 9%. While the request is likely to be approved, the rising debt service burden further tightens the fiscal position and could further deteriorate the debt service metrics. The disruptions to oil supply have so far undermined revenue, and while the economy is recovering, the growth pulse is fragile. Thus, the budget deficit could remain high in the near term. Given the high inflation environment and the punitive external financing conditions, the prevailing fiscal vulnerabilities could remain elevated over the medium term.

#### Ghana: Government Expects Domestic Pensions Sector from DDE; Modifies the Terms from the Initial Offer

The government of Ghana has bowed to pressure from organized labour and excluded all pension funds from the Domestic Debt Exchange (DDE) programme. The exemption follows sustained resistance from the labour unions amidst the threat of a nationwide strike action that would have resulted in the shutdown of the public sector.

In granting the exemption to the dominant pensions industry, the government acknowledged a gap that will require additional measures to fill, in the bid to restore debt to a sustainable path. Consequently, the Treasury further extended the offer period for the DDE to January 16, 2023 (from December 30, 2022) amidst some modifications to the terms of the initial offer. The new offer launch date is January 17, 2023, with settlement due on January 24, 2023, and January 31, 2023, earmarked as the long stop date. The modifications to the exchange offer include paying accrued and unpaid interest on eligible bonds, a cash tender for eligible bonds maturing in 2023, increasing the tenors under the DDE offer to twelve (from four) and expanding the participating investors to include individual investors.

While the negotiations with other identifiable investor groups are inconclusive, the Treasury could succeed in pushing through the DDE programme, albeit with slight modifications to the terms of the offer.

### SSA: Snapshot of Benchmark 91-Day Yields

	Current	Previous	w/w Change
	Week (%)	Week (%)	(%)
Nigeria	5.50%	5.50%	0.00%
South Africa	6.58%	6.63%	-0.05%
Uganda	11.10%	11.46%	-0.36%
Egypt	18.07%	18.09%	-0.02%
Kenya	9.36%	9.37%	-0.01%
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
<b>Monetary indicators</b>			
Interbank Interest Rate (%)	25.43%	25.52%	-0.09%
Inflation (12-month average)	28.00%	28.00%	0.00%
Monetary Policy Rate (%)	27.00%	27.00%	0.00%
The Ghana Reference rate (%)	32.83%	32.83%	0.00%
<b>GoG T-Bill Auction Summary</b>			
91- Day Bill issued (GH¢)	1,413.86	2,393.02	-40.92%
182 - Day Bill issued (GH¢)	601.99	691.43	-12.94%
364 -Day Bill issued (GH¢)	0	586.83	n/a
91 - Day Bill Yield (%)	35.36%	34.93%	0.43%
182 – Day Bill Yield (%)	35.90%	36.03%	-0.13%
364 – Day Bill Yield (%)	36.10%	36.10%	0.00%
Bid/Cover ratio	1.082	1.071	0.01
Target coverage	1.40	1.85	-0.45
Maturity Coverage	1.74	2.02	-0.27
Target for Upcoming Auction	1,869.00	1,438.00	29.97%
Upcoming Maturing T-bills	1,016.32	1,157.16	-12.17%

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## The Ghana Fixed Income Market in Focus

- The Treasury again exceeded its gross financing target from the last T-Bill offer, attracting bids worth GH¢2.18 billion from the offer of 91 and 182-day bills last week.
- The Treasury accepted 92.4% of the bids received, translating into a target coverage of 1.4x and maturity coverage of 1.74x.
- Despite the marked oversubscription and improving interbank GHS liquidity conditions, the clearing yields turned out mixed, with the 91-day climbing to 35.36% (+43bps w/w) while the 182-day yield eased 13bps lower to 35.90%.

**Auction performance:** The Treasury recorded another strong investor interest for its T-bill offers last week, raking in total demand worth GH¢2.18 billion across the 91-day and 182-day offers.

While the GH¢2.18 bid at the auction represents a 44.53% decline relative to the preceding week, the amount exceeded the offer target by 40%. The Treasury accepted 92.4% of the bids tendered (GH¢2.02 billion), exceeding the maturities due on December 26, 2022, by 74%.

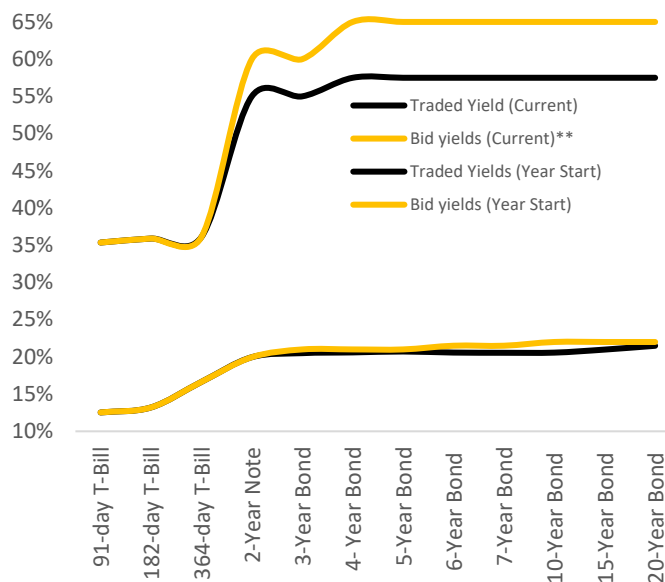
While the demand levels remain firm and interbank GHS liquidity levels continue to improve slightly, the clearing yields from the T-bill offer turned out mixed. While the 91-day yields settled 43bps higher at 35.36%, the 182-day bill trimmed off 9bps w/w to close the auction at 35.9%. Despite inflation further eroding real returns on T-Bills, we believe the heightened demand for T-bills, amidst the lack of options, could sustain the decline in money market yields.

**The Money Market in the Week Ahead:** The last T-bill offer for 2022, slated for Friday, December 30, 2022, is targeting an issuance worth GH¢1.869 billion across the 91-day to 364-day tenors. The auction shall seek to roll over a maturing face value worth GH¢1.16 billion, falling due on January 2, 2023. With the market in the festive mode, we do not envisage a pronounced oversubscription at the auction. Nonetheless, we expect the Treasury to comfortably exceed this auction's financing target with a marginal decline in yields across the T-bill tenors.

## Review of the Secondary Fixed Income Market

We note a marked slowdown in the secondary bonds market amidst the ongoing domestic debt restructuring exercise. Investors turned over an aggregate volume worth GH¢961.92 million, representing a 59.4% slowdown in activity as investor interest in GoG debts dim. The trades happened mainly at the front end of the curve, as the 2023 to 2027 tenors accounted for 64% of the aggregate volume traded.

Nominal yields remain elevated across the LCY curve, with offers ranging between 60% and 65% across the curve amidst non-existent demand. About GH¢38 billion across 19 Treasury notes and bonds will mature in 2023. With the Treasury now expected to make a cash tender offer for the 2023 maturities under the DDE, this end of the curve could ignite secondary market activity in the coming days.



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)	20.3	66.13%	58.58%	63.5%	22.60%
16-Feb-26 (8.13%)	39.5	69.02%	63.15%	69.0%	20.78%
11-Feb-27 (6.38%)	34.5	50.70%	47.94%	54.5%	14.25%
26-Mar-27 (7.88%)	34.6	50.48%	46.56%	50.7%	10.88%
07-Apr-29 (7.75%)	32.5	38.69%	36.73%	40.4%	7.55%
16-May-29 (7.63%)	32.5	37.98%	36.05%	40.8%	8.78%
14-Oct-30 (10.75%)	69.3	18.96%	18.28%	19.9%	2.36%
26-Mar-32 (8.13%)	31.5	32.18%	30.55%	33.3%	6.34%
07-Apr-34 (8.63%)	30.3	32.10%	30.39%	32.3%	6.10%
11-Feb-35 (7.88%)	31.1	28.65%	27.16%	30.2%	6.14%
07-May-42 (8.88%)	30.5	29.50%	27.77%	31.9%	7.94%
16-Jun-49 (8.63%)	29.5	29.29%	27.45%	30.1%	7.23%
26-Mar-51 (8.95%)	30.5	29.32%	27.53%	29.9%	6.38%
11-Mar-61 (8.75%)	30.0	29.10%	27.29%	29.6%	6.64%

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