

January 10, 2022

### Ghana Market Review

**Currency market review: GHS opens the year on a bearish mode due to seasonality effects as an IMF Board-level approval hangs in the balance.**

The Cedi shaved off more than 4% against the major trading currencies on the interbank in the opening Week of 2023 amidst lingering uncertainty. As things stand, the Domestic DExchange Programme (DDEP) still hangs in the balance, with the revised deadline for the exchange looming. The public resentment for the DDEP is still apparent even as the clock for January 16, 2023, deadline ticks louder and a class action from individual bondholders is imminent.

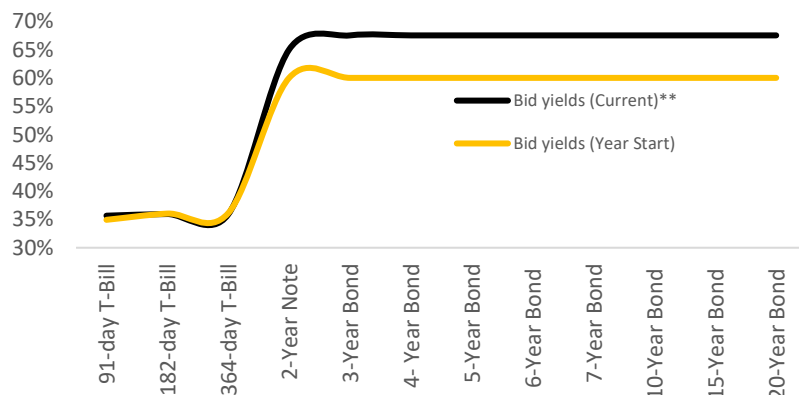
A significant progress DDEP is a pre-requisite for an IMF Board approval for the 3-year programme, and we believe the Cedi's near-term outlook hinges on an early start of the programme. Further delays, together with the seasonality effects and the generally bearish sentiments, could further undermine the Cedi. With the limited investment options for individual investors and institutional and pension funds, we anticipate a surge in FX demand for speculative purposes, which could extend Cedi's bearish run until the DDEP progresses.

**T-Bill auction Summary: Investors oversubscribed again, albeit at a slightly higher cost to the Treasury**

The opening T-bill auction for 2023 attracted total demand worth GH¢1.72bn, which exceeded the auction target for the week by 15.5% (-5.6% w/w). The Treasury accepted 97.3% of the bids, exceeding the T-bill refinancing obligation due today, January 9, 2023, by 22.31%. We note a continuous decline in the interbank rate, reflecting improving interbank liquidity conditions amidst the limited fund's placement options. Despite the constant oversubscription, T-bill yields have increased over the last two auctions, with the 91-day and 182-day yields opening the year 14bps and 3bps higher at 35.66% and 35.95%, respectively.

**T-bill auction in the week ahead:** A total T-bill maturity worth GH¢1.03bn is falling due on January 17, 2023, and the Treasury will return to the market on Friday, January 14, to offer a GH¢1.13bn across the 91-day to 364-day tenors. Given the limited options for pension and other institutional funds, the offer could be oversubscribed at a slightly higher cost.

**Secondary market review:** We recorded a mixed performance on the secondary bond market last week as demand for bonds grew about 150% w/w and the volume of notes and bonds traded plummeted by about 33%. Investors exchanged an aggregate volume worth GH¢1.71bn for the period dominated by the 2023 to 2028 maturities. The clearing yields were unchanged at the front end, which was offered around the 60% level. Still, the back end drifted further away into the 75% territory as the deadline for the domestic debt exchange programme beacons.



### Cedi Performance Against Major Currencies

	GH₵	US\$	GBP	€	JP¥	CN¥
<b>Interbank Ref. rate</b>	9.00	9.54	10.82	0.07	1.32	
<b>W/W Change</b>	-4.80%	-4.70%	-4.10%	-4.30%	-5.80%	
<b>YTD change</b>	-4.80%	-4.70%	-4.10%	-4.30%	-5.80%	
<b>Indicative retail rate</b>	11.90	14.80	12.85	0.07	1.45	
<b>W/W Change</b>	0.40%	-3.00%	-1.90%	-1.80%	-2.90%	
<b>YTD change</b>	0.40%	-3.00%	-1.90%	-1.80%	-2.90%	

Source: GCB Capital Research, Bank of Ghana, Oanda

### Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
<b>Interbank Rate (%)</b>	25.29%	25.43%	+14bps
<b>Nov-22 Inflation</b>	50.3%	40.4%	+9.9%
<b>1-Yr Average Inflation</b>	28.03%	24.86%	+3.17%
<b>MPR (%)</b>	27.00%	24.50%	+250bps
<b>Real MPR</b>	-23.3%	-15.9%	-7.4%
<b>GRR (%)</b>	32.72%	32.83%	-11bps

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### T-Bill Clearing Yields

	Current	Previous	Change	Real yield
<b>91-day</b>	35.66%	35.36%	+14bps	-9.74%
<b>182-day</b>	35.95%	35.98%	+3bps	-9.55%
<b>364-day</b>	-	35.89%	n/a	-9.59%

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### The Ghana Market Summary

	Current	Previous	Change
<b>Bid (GHS'M)</b>	1,722.91	1,825.00	-5.6%
<b>Issuance (GHS'M)</b>	1,676.02	1,809.42	-7.4%
<b>Target (GHS'M)</b>	1,492.00	1,869.00	-20.2%
<b>Maturity (GHS'M)</b>	1,370.33	1,016.32	34.8%
<b>Target coverage ratio</b>	112.33%	97.00%	n/a
<b>Maturity coverage ratio</b>	122.31%	178.00%	n/a
<b>Bid/Cover ratio</b>	102.80%	100.90%	n/a

### The Week Ahead

<b>Gross Issuance Target - T-bills</b>	GH¢1,125.00 million
<b>Upcoming Maturity -T-bills</b>	GH¢1,032.58 million

### Secondary Market Activity

<b>Turnover – Bonds GH¢'Bn</b>	1.173	0.468	+150.64%
<b>Turnover – Notes &amp; Bills GH¢'Bn</b>	0.56	0.838	-33.17%

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## SSA Review

### African Currencies: EGP further weakens as CBE moves take a step towards restoring stability

It appears the Central Bank of Egypt (CBE) may have carried out a third bout of devaluation of the Pound in less than a year last week as the Pound plummeted to a 6.46% depreciation on the opening week of 2023.

Despite this sharp decline to EGP27.12/USD on the interbank market, the Pound is still trading a widespread to the parallel market, which closed the week around EGP30.5/US\$. Egypt committed to adopting a flexible exchange rate regime ahead of securing a programme with the IMF in Oct 2022, and despite the significant devaluation of the Pound thus far, pent-up FX demand amidst the acute FX shortage continues to pile pressure on the Pound. The latest movements are akin to a managed float exchange rate regime, and we expect this controlled devaluation to continue until the Pound reaches stability around the EGP30/US\$ levels.

### Currency pressures to keep inflation and nominal yields elevated in Egypt:

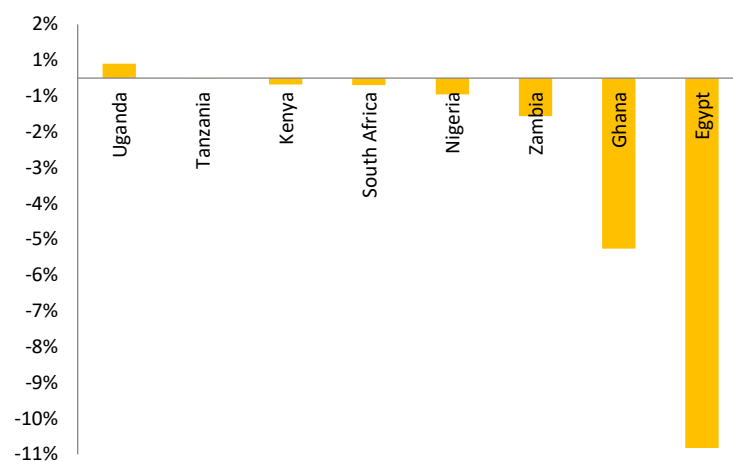
The pass-through of the depreciation pressures is already reverberating through the economy, keeping general prices elevated. Consequently, the headline urban inflation for December 2022 came in at 21.3% today (from 18.7% in Nov-22) and could continue higher through Q1 2023. Consequently, we expect the monetary policy stance to remain aggressive, which should keep interest rates elevated. Over time, the rising interest rates should attract new portfolio investment flows back into Egypt as the economic reforms unfold.

Ghana Economic Events Calendar for Jan-2023		
Event	Due date	Expectations
Dec-22 inflation	January 11, 2023	Another significant jump in inflation due to the pass through of Cedi depreciation
First Forward FX auction for BDCs	January 12, 2023	BoG expected to auction about US\$40 million to the bulk oil Distributors
Deadline day for DDEP (offer period)	January 16, 2023	Government expected to close the bond exchange offer but the persisted public resentment could force another extension.
110th meeting of the MPC	January 24 - 27, 2023	<ul style="list-style-type: none"> <li>MPC meets to discuss economic developments leading to an MPR decision.</li> <li>Settlement day the DDEP on January 24, 2023</li> </ul>
110th MPC press conference	January 30, 2023	MPC expected to increase the policy rate marginally

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	27.12	-8.77%	28.78	-8.13%	32.63	-8.60%
Kenya	123.55	-0.14%	131.09	0.14%	148.56	-0.06%
Nigeria	450.58	-0.45%	472.93	1.27%	533.89	1.16%
S. Africa	17.19	-1.23%	18.09	0.10%	20.44	0.17%
Tanzania	2309.01	-0.01%	2449.63	0.31%	2775.32	0.31%
Uganda	3729.04	-0.11%	3958.45	0.70%	4503.17	-0.12%
Zambia	15.42	-0.84%	19.12	0.94%	21.61	0.66%

Source: GCB Capital Research | The Relevant Central Banks

### SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



SSA: Snapshot of Benchmark 91-Day Yields					
Country	Current week (%)	Previous Week (%)	w/w Change (%)	Inflation adjusted returns (%)	USD-Adjusted Returns (%)
Nigeria	5.50%	5.50%	0.00%	-13.15%	0.00%
South Africa	6.48%	6.56%	-0.07%	-0.86%	-0.99%
Uganda	10.33%	11.10%	-0.36%	0.12%	-12.64%
Egypt	20.28%	18.33%	2.19%	-0.84%	12.83%
Kenya	9.39%	9.37%	0.02%	0.27%	8.82%
Tanzania	3.00%	3.00%	0.00%	-1.81%	-2.72%
Zambia	10.00%	10.00%	0.00%	0.09%	-28.84%

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