

January 16, 2022

Ghana Market Review

Currency market review: The Cedi's weak start to 2023 continues, ceding 9.45% to the USD YTD.

The Cedi's bearish opening to the year continued, stretching over the last fortnight. During this run, the local unit shaved off 9.85% against the USD on the retail market (-9.45% YTD). The Cedi also plummeted on the interbank market, ceding 12.9% w/w to the USD (-17.03% YTD) and could remain bearish in the weeks ahead amidst the lingering uncertainties.

The Bank of Ghana sold US\$40 million at its maiden forward FX auction to the BDCs last week at GHS10.52. The first consignment of the "gold for oil" butter transaction (the new arrangement to import some of Ghana's oil needs for domestically purchased gold) valued at US\$40 million also touched shore last week. We expect the volume of oil exchanged under this arrangement to grow steadily throughout the year, potentially easing the demand pressure on the FX reserves for oil imports.

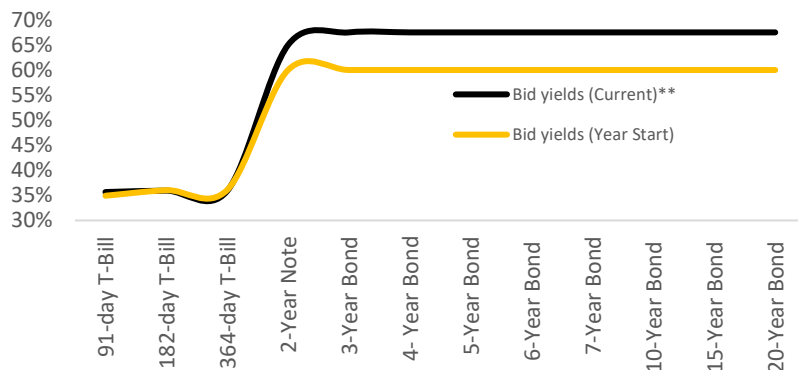
T-Bill auction Summary: T-bill Auction 52% oversubscribed, which exerted downward pressure on yields

Last week's T-bill auction attracted substantial demand from investors, with bids amounting to GH¢1.72 billion, exceeding the auction target by 52.9%. The Treasury accepted almost all the bids with the GH¢1.71 billion allocation significantly exceeding the T-bill refinancing obligation due today, January 16, 2023, as the Treasury continues to build liquidity buffers. Interbank liquidity conditions remain broadly favourable and together with pension flows underpinning the oversubscription at the auction. The auction closed at slightly lower yields, with the 91-day (35.46%), the 182-day (35.83%) 20bps and 12bps lower.

T-bill auction in the week ahead: The Treasury is targeting GH¢2.415 billion at the next auction slated for January 20, 2023, to roll over upcoming maturities estimated at GH¢2.22 billion across the 91-day to 364-day tenors. While we expect investor appetite to remain firm, the significant size on offer could push the clearing yields up slightly.

Secondary market review: Activity on the secondary bonds market is limited, with the aggregate volume traded on the marketing easing to GH¢668.4 million (-60.9% w/w). The market position remains net offered with scant bids to match. The clearing yields remain unchanged and elevated between 60% to 75%.

Treasury extends deadline for DDEP to January 31, 2022: The Treasury announced yet another extension to the domestic debt exchange programme to allow for further engagement following the widespread agitations last week. The offer is currently expected to close on the hard stop date of January 31, 2022.



Cedi Performance Against Major Currencies						
	GH¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	9.00	9.54	10.82	0.07	1.32	
W/W Change	-4.80%	-4.70%	-4.10%	-4.30%	-5.80%	
YTD change	-4.80%	-4.70%	-4.10%	-4.30%	-5.80%	
Indicative retail rate	11.90	14.80	12.85	0.07	1.45	
W/W Change	0.40%	-3.00%	-1.90%	-1.80%	-2.90%	
YTD change	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
Interbank Rate (%)	25.29%	25.43%	+14bps
Dec-22 Inflation	54.10%	50.30%	+3.8%
1-Yr Average Inflation	28.03%	24.86%	+3.17%
MPR (%)	27.00%	24.50%	+250bps
Real MPR	-23.3%	-15.9%	-7.4%
GRR (%)	32.72%	32.83%	-11bps

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	35.46%	35.66%	20bps	-9.74%
182-day	35.83%	35.95%	11bps	-9.55%
364-day	35.92%	35.89%	2bps	-9.59%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	1,720.67	1,722.91	-0.13%
Issuance (GH¢'M)	1,704.41	1,676.02	+1.69%
Target (GH¢'M)	1,438	1,492.00	-3.62%
Maturity (GH¢'M)	1,132.49	1,370.33	-17.35%
Target coverage ratio	1.19x	1.12x	n/a
Maturity coverage ratio	1.51x	1.22	n/a
Bid/Cover ratio	1.01x	1.03	n/a

The Week Ahead	
Gross Issuance Target - T-bills	GH¢2,417 million
Upcoming Maturity -T-bills	GH¢2,217 million

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.504	1.173	-57%
Turnover – Notes & Bills GH¢'Bn	0.164	0.56	-70.7%

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Nigeria: Inflation softens for the first time in 11 months by 13bps to 21.34%

Ahead of the Monetary Policy Committee's meeting next week, and after ten (10) straight months of increase, Nigeria's headline eased marginally for the first time to close Dec-22 at 21.34%.

While structural factors and imported inflation underpin the 10-month-long inflationary run, food prices and other staples have remained high. However, with the Yuletide-induced surge in food prices in Nov-22 easing slightly, food inflation eased to 23.75% in Dec-22.

While the decline in inflation is welcome, "all items less farm produce" (core inflation) increased to 18.49% y/y in Dec-22 (+25bp), reflecting simmering underlying inflationary pressures. Thus, despite the prevailing growth concerns, inflation is still elevated and remains very topical. FX scarcity on the broader market and the pass-through of Naira depreciation to inflation also remain a risk to the upside. Accordingly, we expect the monetary policy stance to remain tight to set a disinflationary run in motion.

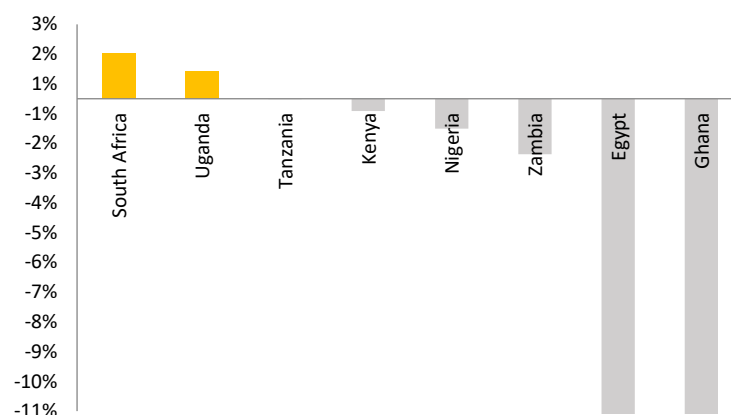
South Africa: Power challenges linger on; could undermine recovery

State power supplier Eskom rolled out another bout of power cuts last week as more power-generating units broke down. Thus, Eskom has moved into stage six (6) power rationing until further notice, which will see about 6000 MW of power shed off the national grid. The persistent load-shedding and the associated economic costs to businesses are enormous. Consequently, the Rand opened the new week on the back foot; benchmark yields opened slightly higher. Dec-22 inflation is due later this week and could print slightly lower, continuing the disinflationary trend that started from Nov-22.

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	29.62	-8.42%	32.06	-10.2%	36.14	-9.72%
Kenya	123.89	-0.28%	133.93	-2.12%	150.98	-1.60%
Nigeria	453.11	-0.56%	490.08	-3.50%	551.93	-3.3%
S. Africa	16.73	2.79%	18.14	-0.29%	20.44	-0.02%
Tanzania	2309.08	0.00%	2482.50	-1.32%	2809.69	-1.22%
Uganda	3686.04	1.17%	3958.45	0.00%	4503.17	0.00%
Zambia	15.42	-0.91%	19.93	-4.07%	22.45	-3.77%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



Ghana Economic Events Calendar for Jan-2023		
Event	Due date	Expectations
110th meeting of the MPC	January 24 - 27, 2023	MPC meets to discuss economic developments leading to an MPR decision. Settlement day the DDEP on January 24, 2023
110th MPC press conference	January 30, 2023	MPC expected to increase the policy rate marginally
Deadline for DDEP	January 31, 2023	Expected hard stop date for the domestic debt exchange program

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%	5.50%	0.00%
South Africa	6.46%	6.58%	-0.12%	6.46%	-0.99%
Uganda	11.10%	11.10%	0.00%	11.10%	-12.64%
Egypt	20.52%	18.07%	2.45%	20.52%	12.83%
Kenya	9.43%	9.36%	0.07%	9.43%	8.82%
Tanzania	3.00%	3.00%	0.00%	3.00%	-2.72%
Zambia	9.75%	10.00%	-0.25%	9.75%	-28.84%

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