

January 23, 2022

Ghana Market Review

Currency market review: Cedi records fair stability against the USD last week; still bearish against the other major trading currencies.

The Ghana Cedi stabilised broadly against the USD on the interbank market last week after opening the year on the backfoot. The local unit ceded 0.2% to the USD on the interbank market last week (-17.2% YTD) but closed weaker against the Euro (-0.6%w/w | -18.4% YTD) and the GBP (-1.4% w/w | 18.4%) as the uncertain macroeconomic outlook and the lingering domestic debt restructuring conversation weigh on market sentiments.

On the retail market, however, the local unit gained 1.93% w/w against the USD to close the week at GH¢12.95/US\$ (-7.36% YTD). Currently, the investment options on the local market are limited as the government pushes through the Domestic Debt Exchange Program (DDEP). Thus, speculative demand for FX could be rife in the weeks ahead and, together with the seasonality pressures through Q1 2023, could undermine the Cedi until the official start of the IMF-supported programme.

T-Bill auction Summary: Investor demand fell 20% short of target last week.

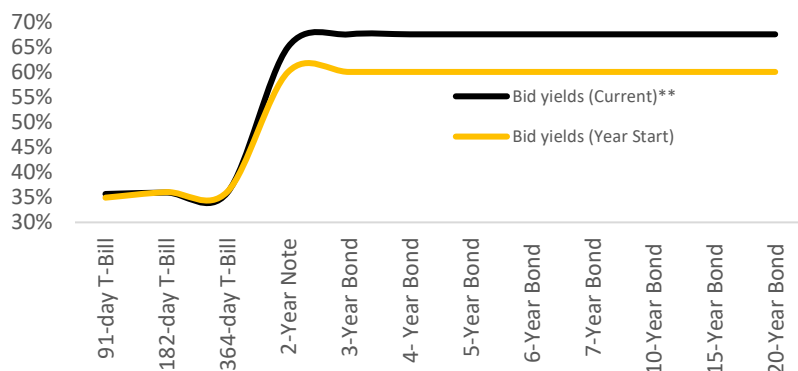
The total bids from investors at last week's T-bills auction underwhelmed relative to the target, with the total bids worth GH¢1.93 billion falling 20% short of the auction target. The Treasury accepted all the tendered bids, with the uptake falling 13% short of the refinancing obligation due today, January 23, 2023. We believe the sizeable refinancing obligation for the week relative to the recent auctions and the market uncertainties underscore the shortfall in demand at the auction. Consequently, the clearing levels were mixed, with the 91-day yield inching 17bps higher at 35.63%, while the 182-day and the 364-day yields cleared 3bps and 36bps lower at 35.83% and 35.92%, respectively.

Cocoa bills auction fails again, resulting in an automatic rollover for Banks:

Following two consecutive auction failures, the Bank of Ghana, on the instruction of COCOBOD, reversed payout to investors last week amidst persistent liquidity challenges. The BoG has since instructed commercial banks to reverse the rollover transaction for individual investors using COCOBOD's deposits/placements with banks. However, we believe cocoa bills pose a substantial risk to banks' balance sheets as the issuer's financials are still not publicly available to the market.

T-bill auction in the week ahead: The Treasury is targeting GH¢1.28 billion at the next auction slated for January 27, 2023, to roll over upcoming maturities estimated at GH¢1.07 billion across the 91-day and 182-day tenors.

Secondary market review: Activity picked up on the secondary market last week, with investors turning over an aggregate volume worth GH¢3.7 billion, but yields remain broadly unchanged across the curve.



Cedi Performance Against Major Currencies						
	GH\$	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	10.36	12.80	11.20	0.08	1.53	
W/W change	-0.2%	-1.4%	-0.6%	1.6%	0.9%	
YTD Change	-17.2%	-19.4%	-18.4%	-18.5%	-18.8%	
Indicative retail rate	12.95	16.10	14.15	0.09	1.78	
W/W change	1.9%	-1.2%	-1.4%	-13.4%	-12.1%	
YTD change	-7.36%	-10.9%	-10.9%	-22.2%	-22.3%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	25.21%	25.21%	-
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

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	35.63%	35.46%	+17bps	35.63%
182-day	35.81%	35.83%	-3bps	35.81%
364-day	35.56%	35.92%	-36bps	35.56%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GHS'M)	1,930.74	1,720.67	+12.21%
Issuance (GHS'M)	1,930.74	1,704.41	+13.28%
Target (GHS'M)	2,415.00	1,438	-3.62%
Maturity (GHS'M)	2,217.64	1,132.49	+67.9%
Target coverage ratio	0.80x	1.19x	n/a
Maturity coverage ratio	0.87x	1.51x	n/a
Bid/Cover ratio	1.00xx	1.01x	n/a

The Week Ahead	
Gross Issuance Target - T-bills	GH¢1,278 million (-47.1% w/w)
Upcoming Maturity -T-bills	GH¢1,066.35 million (-51.9% w/w)

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	2.311	0.504	-
Turnover – Notes & Bills GH¢'Bn	1.399	0.164	-

GCB Capital Research | Bank of Ghana

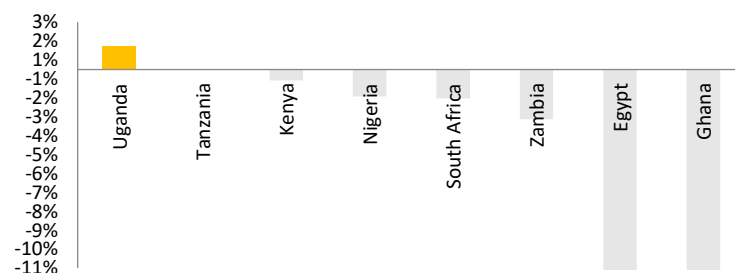
Week 3: Performance of Selected African Sovereign Bonds					
Country/ Ratings	Maturity	Current Price		Yield-to-Maturity	
Fitch/Moody 's/S&P		Bid	Ask	Bid	Ask
Ghana C/CA/SD	GHA 7% 08/07/23	49.73	61.21	199.19%	128.6%
	GHA 8% 05/07/42	35.89	36.69	23.75%	23.29%
	GHA8% 03/11/61	36.37	37.31	23.398%	22.82%
Egypt B+/B2/B	EGPT 4.55 11/20/23	99.51	100.36	11.694%	9.850%
	EGPT 6% 04/30/40	71.21	72.41	10.523%	10.33%
	EGPT 7% 02/16/61	68.62	69.69	11.014%	10.85%
Kenya B/B2/B	KENINT 6% 6/24/24	94.37	95.7	11.271%	10.19%
	KENINT 6.3 1/23/34	79.31	80.61	9.353	9.132
	KENINT 8% 2/28/48	81.66	83.06	10.303	10.119
Nigeria B-/B3/B-	NGERIA 6% 7/12/23	99.32	100.46	7.873%	5.353%
	NGERIA 7% 9/28/33	78.41	79.40	10.83%	10.65%
	NGERIA 8% 9/28/51	74.40	75.49	11.26%	11.09%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.57	99.09	6.182%	5.633%
	SOAF 5 10/12/46	73.39	74.58	7.395%	7.262%
	SOAF 7.3 04/20/52	90.82	91.78	8.125%	8.032%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	95.99	97.79	8.278%	6.952%
	IVYCST 6% 06/15/33	89.60	90.92	7.588%	7.391%
	IVYCST 6% 03/22/48	73.79	74.91	9.36%	9.215%

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

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	29.85	-0.78%	32.41	-1.06%	37.00	-2.32%
Kenya	124.09	-0.16%	134.21	-0.21%	153.21	-1.45%
Nigeria	455.06	-0.43%	492.56	-0.50%	562.09	-1.81%
S. Africa	17.25	-3.02%	18.70	-3.00%	21.32	-4.10%
Tanzania	2309.20	-0.01%	2499.48	-0.68%	2853.60	-1.54%
Uganda	3677.92	0.22%	3982.08	-0.59%	4549.95	-1.03%
Zambia	15.42	-0.90%	20.09	-0.80%	22.94	-2.12%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



Other African Markets Review

Kenya: Authorities expect inflation to ease into the target band by Mar-23

After ascending for nine (9) consecutive months since Mar-22, Kenya's headline inflation peaked at 9.6% in Oct-22 and closed 2022 at 9.1%. While inflation is still outside the target band of 2.5% to 7.5%, the authorities currently expect inflation to journey back into the medium-term target band by the end of Q1 2023.

While inflation is on the path of decline, the reversal in fuel subsidies, the volatility in oil prices and the persistent drought conditions that have kept inflation elevated through 2022 remain a risk to an extended disinflationary run. Given the robust near-term outlook for growth, we expect a cautious monetary policy stance at the policy meeting slated for January 30, 2023.

South Africa: Retail sales recovered; Dec-22 inflation dipped, which could trigger a tilt to an accommodative monetary policy stance in the near term.

South Africa's retail sales for Nov-22 rose by 0.4% following a 0.7% contraction in Oct-22 as the black Friday-induced boom in retail activity lifted the index.

Inflation for Dec-22 also came in lower at 7.2%, continuing the disinflation trend after inflation reached a 13-year high of 7.8% in Jul-22. The run of inflation from Nov-21 resulted in seven (7) consecutive interest rate hikes as the South Africa Reserve Bank (SARB) sustained its hawkish monetary policy tone to regain a handle on inflation. A cycle of disinflation is now in motion, and we expect the SARB to stay the monetary policy stance later this week, with a marginal tilt towards an accommodative stance in the near term amidst the lingering risks to growth. However, the Rand could trade weaker on this outlook, and nominal yields could continue to decline across the curve.

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%

Research Contacts

Courage Kwesi Boti
Economist/ Research Lead
+233302945848 | +233302945838
ckboti@gcb.com.gh

Fund Management Contacts

Afua Akyaa Osei
Vice President, Fund Management
+233302945848 | +233302945838
aaosei@gcb.com.gh

Advisory & Capital Markets Contacts

Baffour Agyarko Kwakye
Vice President, Advisory & Capital
Markets
+233302945848 | +233302945838
bakwakye@gcb.com.gh

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@gcb.com.gh

Michelle Nana Ohenewaa Kitson-Amoah
Associate, Advisory & Capital Markets
+233302945848 | +233302945838
mnodadev@gcb.com.gh

Disclaimer

This Economic and Market Insight has been prepared by the Research & Analytics Desk of GCB Capital Ltd solely for information purposes and does not constitute any legally binding obligations on GCB Capital. Any views expressed are those of the Research & Analytics Desk. Any views and commentary in this investor note are short-term views of GCB Capital Ltd's Research & Analytics Desk from which it originates and are not a personal recommendation and do not consider whether any product or transaction is suitable for any investor.

Whilst the information provided in this document has been prepared by GCB Capital's Research & Analytics Desk based on or by reference to sources, materials that GCB Capital Ltd believes are reliably accurate, GCB Capital Ltd does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and is subject to change. It is not a recommendation, advice, offer or solicitation to the reader to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this note or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB Capital Ltd is not obliged to inform readers of any such change to such opinions or estimates. This document does not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. It is recommended for interested parties to check that the information provided is in line with their own circumstances about any legal, regulatory, tax or other specialist or technical advice or services, if necessary, with the help of a professional advisor. This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB Capital Ltd.



49 Ndabaningi Sithole Rd

Labone, Accra