

January 30, 2022

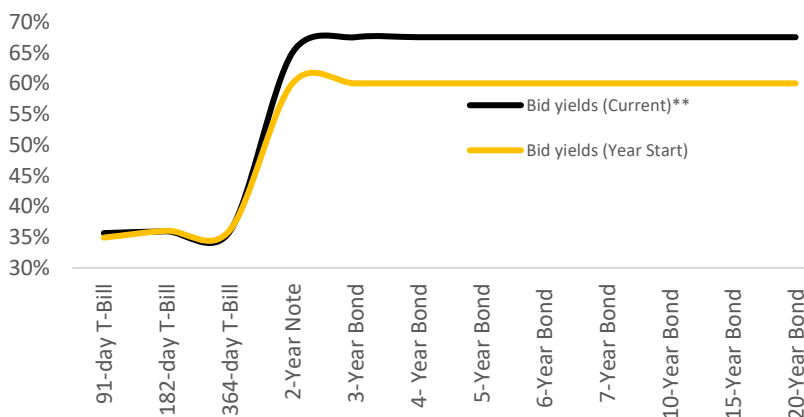
Ghana Market Review

DDEP on the home stretch following a breakthrough week with institutional investors: The Ghanaian Treasury progressed negotiations with local institutional investors last week and appeared set to push through the DDEP, albeit with modified terms. The government agreed to a 5% coupon rate for 2023 last week (versus the initial proposal of no coupon) and pegged the coupon rate at 9% on all 12 maturities from 2024. Additionally, the Treasury removed the clause that empowers the Republic to vary the terms of the exchange at its sole discretion. The modified terms of the exchange are deemed acceptable by commercial banks, insurance companies and the asset management segments of the domestic market and the DDEP offer is expected to close by the 31st January 2023 deadline. The likely exemption of individuals and the domestic pension funds and the uncertainty about the participation of offshore investors in the programme could put the 80% target under threat. However, we believe a 65% to 70% success rate could be enough to secure the IMF Board's approval pending external debt restructuring.

Cedi stabilizes broadly versus the USD, but underlying pressures remain: The Cedi closed last week with a marginal appreciation vs the USD on the retail market, closing the week 0.4% stronger at GH¢12.90/US\$ (-7.36% YTD). However, the local unit remained weak on the interbank reference market, ceding 4.1%, 4.3% and 4.6% against the USD, GBP and the Euro, respectively, at the week's close. While Cedi's weak run on the interbank reference market is required to tighten spreads on the retail market rates, Ghana's external balances and gross reserves are vulnerable. Thus, the Cedi could remain volatile and news-sensitive until the official start of the IMF programme and the resultant cushion to the balance of payments.

Demand and uptake of T-bills exceed the target: The Treasury raised GH¢1.98bn at the last auction, which constitutes 96.6% of the bids received and exceeds the offer target and the maturities due today, January 30, 2022, by 55% and 86%, respectively. Despite the excess demand, the 91-day (35.71% |+8bps) and 364-day (35.81% |+25bps) yields crept higher at the auction. However, the 182-day yield dipped marginally to 35.81% (-5bps w/w) at the close of the auction.

T-bill auction in the week ahead: The next T-bill auction will target raising about GH¢1.42bn at the next auction slated for February 3, 2023, to roll over upcoming maturities estimated at GH¢1.31bn across the 91-day and 182-day tenors. Following the 100bps hike in the policy rate, we expect T-bill yields to trek marginally higher through Feb-23.



Cedi Performance Against Major Currencies						
	GH\$	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	10.80	13.38	11.74	0.08	1.59	
W/W change	-4.1%	-4.3%	-4.6%	-4.3%	-4.2%	
YTD Change	-20.6%	-22.9%	-22.1%	-22%	-22.1%	
Indicative retail rate	12.90	16.10	14.15	0.09	1.82	
W/W change	0.4%	0.0%	0.0%	-0.9%	-2.5%	
YTD change	-7.36%	-10.9%	-11%	-22.8%	-22.4%	

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 (%)	28.00%	24.50%	+100bps
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	35.71%	35.63%	+8bps	35.63%
182-day	35.76%	35.81%	-5bps	35.81%
364-day	35.81%	35.56%	+25bps	35.56%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GHS'M)	2,053.57	1,930.74	+6.4%
Issuance (GHS'M)	1,983.10	1,930.74	+2.71%
Target (GHS'M)	1,278	2,415.00	-47.08%
Maturity (GHS'M)	1,066.35	2,217.64	-51.92%
Target coverage ratio	1.036x	0.80x	n/a
Maturity coverage ratio	1.55x	0.87x	n/a
Bid/Cover ratio	1.86x	1.00xx	n/a

The Week Ahead	
Gross Issuance Target - T-bills	GH¢1,423 million (+11.34% w/w)
Upcoming Maturity -T-bills	GH¢1,305.88 million (+22.46% w/w)

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.955	2.311	-58.7%
Turnover – Notes & Bills GH¢'Bn	1.212	1.399	-13.4%

GCB Capital Research | Bank of Ghana

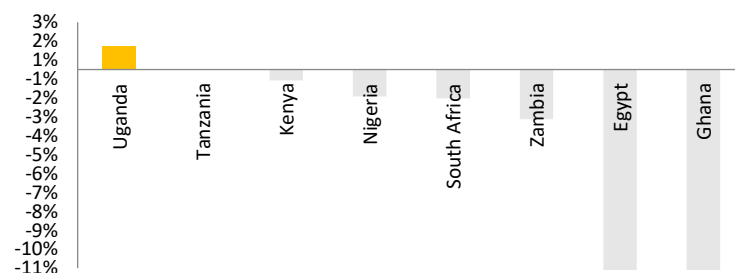
Week 3: Performance of Selected African Sovereign Bonds					
Country/ Ratings	Maturity	Current Price		Yield-to-Maturity	
Fitch/Moody 's/S&P		Bid	Ask	Bid	Ask
Ghana C/CA/SD	GHA 7% 08/07/23	49.50	60.90	208.48%	134.6%
	GHA 8% 05/07/42	36.17	37.60	23.65%	22.84%
	GHA8% 03/11/61	36.38	38.19	23.462%	22.38%
Egypt B+/B2/B	EGPT 4.55 11/20/23	96.25	97.16	9.4740%	8.252%
	EGPT 6% 04/30/40	69	70.29	10.895%	10.67%
	EGPT 7% 02/16/61	66.4	67.50	11.381%	11.19%
Kenya B/B2/B	KENINT 6% 6/24/24	94.42	95.90	11.281%	10.08%
	KENINT 6.3 1/23/34	88.43	90.02	9.93	9.64
	KENINT 8% 2/28/48	80.97	82.5	10.4%	10.19%
Nigeria B-/B3/B-	NGERIA 6% 7/12/23	99.04	100.11	8.56%	6.11%
	NGERIA 7% 9/28/33	76.14	77.26	11.273%	11.06%
	NGERIA 8% 9/28/51	71.30	72.53	11.753%	11.55%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.61	99.09	6.167%	5.641%
	SOAF 5 10/12/46	73.94	75.09	7.334%	7.206%
	SOAF 7.3 04/20/52	96.62	92.65	8.047%	7.95%
Cote Ivoire BB-/Ba3/BB-	IVYCYST 5% 07/23/24	95.83	97.53	8.426%	7.166%
	IVYCYST 6% 06/15/33	89.29	90.61	7.637	7.438%
	IVYCYST 6% 03/22/48	73.74	74.82	9.371%	9.229%

Ghana Economic Events Calendar for Jan-2023		
Event	Due date	Expectations
110th MPC press conference	January 30, 2023	MPC increased the policy rate by 100bps to 28%
BDCs forward FX auction	January 30, 2023	BoG expected to sell about US\$40 million to BDCs for the import of petroleum for the 1st pricing of Feb-23
Deadline for DDEP	January 31, 2023	Expected hard stop date for the domestic debt exchange program
Jan-23 inflation release	February 15, 2022	Inflation to climb higher but at a slower pace

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	29.90	-0.16%	32.49	-0.27%	37.07	-0.18%
Kenya	124.35	-0.21%	135.60	-1.03%	154.21	-0.65%
Nigeria	460.28	-1.13%	500.19	-1.53%	566.83	-0.84%
S. Africa	17.26	-0.06%	18.77	-0.38%	21.35	-0.15%
Tanzania	2309.32	-0.01%	2514.39	-0.59%	2858.02	-0.15%
Uganda	3682.29	-0.12%	4001.17	-0.48%	4558.30	-0.18%
Zambia	15.42	-1.96%	20.57	-2.32%	23.40	-1.99%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



Other African Markets Review

Zambia: IMF-China reached an agreement in principle on debt strategy.

While Zambia has made significant progress in economic reforms since the start of the IMF programme in Aug-22, concerns about the protracted debt restructuring conversation under the common framework are lingering as China and other private creditors have yet to reach a deal on debt restructuring.

However, the Managing Director of the IMF, Kristalina Georgieva, on a visit to Zambia last week indicated that the IMF had reached an understanding in principle with China on a strategy to restructure Zambia's debt. Under this agreement, China is expected to accept a Present Net Value (NPV) reduction on its loans to Zambia in the form of a significant tenor extension and interest haircut. Progress on debt restructuring is imperative in restoring debt sustainability and improve market sentiments as interest rates remain elevated, the Kwacha is under pressure, and Country remains locked out of the international capital market.

South Africa: SARB slows down aggressive policy stance amidst slowing growth concerns.

Amidst the slowing growth outlook and elevated power challenges, the Reserve Bank of South Africa (SARB) softened its policy stance last week, increasing its repo rate by 25bps to 7.25% (following consecutive 75bps increases) at its Jan-23 policy meeting. The slowdown signals that the SARB may be near pivoting its monetary policy stance as inflation continues to ease.

The SARB estimates that the lingering power challenges could chop about two (2) percentage points off its growth outlook, with growth now expected at 0.3% in 2023 and about 0.7% in 2024. The Rand fluctuated against the USD following the policy announcement, signaling the tail-end of the policy tightening cycle and nominal interest rates could stabilize broadly.

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
mnodadey@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