

March 7, 2023

Ghana Market Review

Treasury moves to force T-Bill yields lower to realign market rates: From the onset of the domestic debt exchange programme, secondary bonds market activity has slowed drastically, with investors running out of options leading to a build-up in GHS liquidity. Commercial banks appear to have adopted a conservative stance on loan book expansion, channelling excess liquidity into OMO bills and T-bill issuances.

Last week, the BoG mobbed GH¢9.6 billion through 14-day OMO bills (+75% w/w) at the policy rate (28%) and GH¢606.96 million from 56-day OMO bills at 30.17%, reflecting the high level of interbank liquidity. However, despite the significant oversubscription at the T-bills auction in recent weeks, declines in yields are still marginal, with the clearing levels still above 35% for the 91-day and 182-day tenors. With this high GHS liquidity level and the limited investment options available to investors on the domestic market, the Treasury extended last week's T-bill offer, inviting investors to revise their bids lower for Auction 1840. Despite the prevailing negative real return environment, we expect the market to respond favourably amidst the limited options. Thus, T-bill yields could plummet sharply through Mar-2023, potentially closing Q1-2023 around 20%

Cedi recoups strength against USD, continuing the volatile run: The local unit recouped some lost value against the USD and other major trading currencies last week, continuing the run of volatility with the GH¢12.5 to GH¢13.20 band. Our indicative retail rate shows the Cedi recovered 1.5% w/w versus the USD on the retail market at the close of trading last week and was even more resilient against the GBP(+2.3% w/w) and the Euro (+1.8% w/w). The local unit was broadly stable against the USD on the interbank reference market but ceded 0.15% and 0.43% to the GBP and the Euro, respectively.

With the temporal external debt service suspension still in place, coupon payments on three Eurobond tenors falling due in Mar-23 will not be honoured, providing a temporal respite for the stock of FX reserves. However, we expect the Cedi's volatile run to continue, with speculative FX demand, dividend repatriations and corporate FX demand exerting depreciation pressures.

T-bill Auction closed, results still pending: The extended T-bill offer closed at 11 am today, March 7, 2023, following the Treasury's directive to investors to revise yield expectations lower. While the auction result is not yet released, we expect the Treasury to raise a sufficient amount to cover the GH¢2.55 billion maturing today. We expect a 5% to 9% reduction in the clearing yields relative to the last auction, with investors potentially favouring the 364-day bill to lock in higher yields.

Secondary market Activity: Activity on the secondary bond market remains subdued, with an aggregate trade volume of GH¢403.6 million recorded in bills, notes and bonds. The new bonds again dominated activity, counting for 70% of the GH¢132.4 million worth of bonds traded last week. The pricing dynamics also show that while the new bonds are trading close to par, the old bonds are still trading at significantly distressed levels, closing at an average discount of 48% to face value.

T-bill auction in the week ahead: While the issuance target for the next T-bill auction is not yet released, the Treasury will be seeking to rollover a total face value worth GH¢2.28 billion at the next auction slated for Friday, March 13, 2023. With the anticipated sharp drop in yields, the Treasury could refinance the 91-day and 182-day tenors at a significantly lower cost than the original instruments.

Cedi Performance Against Major Currencies

	GH¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.01	13.19	11.68	0.08	1.59	
W/W change	-0.01%	-0.15%	-0.43%	0.00%	-0.69%	
YTD Change	-22.1%	-21.83%	-21.7%	-19.78%	-22.2%	
Indicative retail rate	12.95	0.02	15.55	-0.08	-0.09	
W/W change	1.5%	2.3%	1.8%	1.1%	2.4%	
YTD change	1.5%	-7.7%	-9.0%	-23.6%	-21.1%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	25.87%	25.87%	0.00%
Jan-23 Inflation	53.60%	54.10%	-0.50%
1-Yr Average Inflation	34.78%	31.49%	3.29%
MPR (%)	28.00%	28.00%	-
Real MPR	-25.60%	-26.10%	-
GRR (%)	32.91%	33.25%	-0.34%

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T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	-	35.55%	-	-
182-day	-	35.56%	-	-
364-day	-	34.21%	-	-

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The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	-	5,067.92	-
Issuance (GH¢'M)	-	5,067.92	-
Target (GH¢'M)	-	2,885	-
Maturity (GH¢'M)	-	2,648.37	-
Target coverage ratio	1.76x	1.76x	n/a
Maturity coverage ratio	1.91x	1.91x	n/a
Bid/Cover ratio	1.00x	1.00x	n/a

The Week Ahead

Issuance Target - T-bills (GH¢'Bn)	-	2,776.00	-
Maturity -T-bills (GH¢'Bn)	2,278.61	2,548.58	-10.59%

Secondary Market Activity

Turnover – Bonds GH¢'Bn	0.132	0.754	-471% w/w
Turnover – Notes & Bills GH¢'Bn	0.272	0.755	-178% w/w

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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	49.77	60.49	220.22%	142.5%
	GHA 8% 05/07/42	37.22	38.52	23.336%	22.62%
	GHA8% 03/11/61	36.49	38.31	23.708%	22.59%
Egypt B+/B3/B	EGPT 4.55 11/20/23	95.65	96.61	10.763%	9.356%
	EGPT 6% 04/30/40	62.29	63.63	12.148%	11.88%
	EGPT 7% 02/16/61	61.44	62.54	12.29%	12.08%
Kenya B/B2/B	KENINT 6% 6/24/24	93.34	94.70	11.41%	11.23%
	KENINT 6.3 1/23/34	75.36	77.66	10.07%	9.83%
	KENINT 8% 2/28/48	77.01	78.42	10.956%	10.75%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	97.92	98.95	11.898%	9.118%
	NGERIA 7% 9/28/33	70.49	71.60	12.463%	12.22%
	NGERIA 8% 9/28/51	67.62	68.69	12.393%	12.20%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.60	99.04	6.245%	5.74%
	SOAF 5 10/12/46	70.5	71.61	7.735%	7.603%
	SOAF 7.3 04/20/52	88.01	88.99	8.4070%	8.307%
Cote Ivoire BB-/Ba3/BB-	IVYCSST 5% 07/23/24	96.03	97.58	8.395%	7.197%
	IVYCSST 6% 06/15/33	86.60	87.92	8.061%	7.854%
	IVYCSST 6% 03/22/48	70.28	71.31	9.859%	9.711%

Other African Markets Review

Kenya: CPI inflation for Feb-23 reverses course; brings the monetary policy stance into sharp focus ahead of the March 2023 policy meeting.

Kenya's overall year-on-year inflation reversed course in February 2023, increasing to 9.2% from (9% in Jan-2023). The increase follows three consecutive months of decline inflation from a peak point of 9.6% in Oct-22, with the headline inflation number still outside the Central Bank of Kenya's 5%±2.5% target band.

Increases in inflation from food and non-alcoholic beverages, housing, utilities, and fuel, which weigh 57% in the inflation basket, accounted for the increase in inflation for the reference period. Month-on-month inflation also increased to 0.6% (from 0.2% in Jan-23). We expect the Central Bank's monetary policy stance to come into sharp focus ahead of the next rate-setting meeting slated for March 29, 2023.

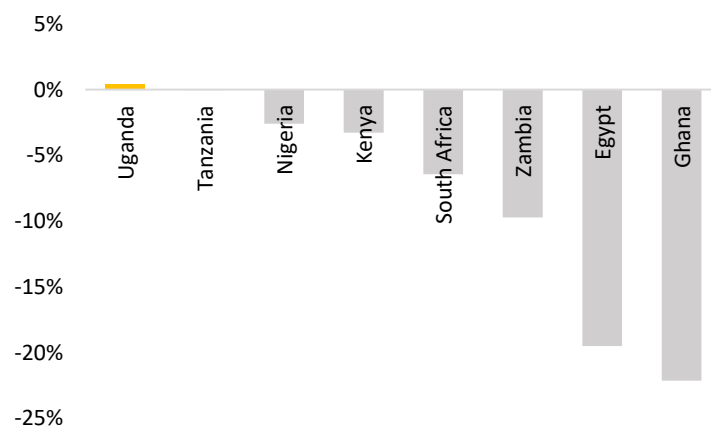
The Monetary Policy Committee (MPC) held the rate at 8.75% at its maiden meeting in 2023 following two consecutive months of easing inflation, citing the anticipated lagged impact of the Nov-22 policy rate hike on the disinflation process. While the government's directive to allow limited duty-free food imports could moderate food prices, the trajectory of food and utility prices remains uncertain. Potential near-term currency pressures from the weaker FX reserve cover could fuel inflation. Thus, we expect the policy stance to be cautious, balancing near-term risks to inflation from simmering food, utilities, fuel price pressures, and growth.

Ghana Economic Events Calendar for March-2023		
Event	Due date	Expectations
BDCS forward FX auction	March 14, 2023	BoG expected to auction US\$30 million to BDCs
PPI for February 2022	March 15, 2023	PPI to decline marginally in February
MPC Meeting	March 22-24, 2023	Release of the summary of economic and financial data
MPC Press Conference	March 27, 2023	MPC could maintain the policy rate at 28% all things being equal
BDCS forward FX auction	March 29, 2023	BoG expected to auction US\$30 million to BDCs

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.72	-0.29%	32.67	-1.10%	36.99	-1.08%
Kenya	127.54	-0.87%	135.39	-1.04%	152.57	-0.30%
Nigeria	460.46	0.00%	488.73	-0.35%	552.64	-0.15%
S. Africa	18.15	0.86%	19.28	0.58%	21.76	1.30%
Tanzania	2315.60	0.00%	2456.28	-0.03%	2763.72	0.34%
Uganda	3709.96	0.45%	3921.43	0.00%	4456.88	0.00%
Zambia	15.42	-1.66%	21.38	-2.41%	24.12	-1.96%

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 (%)
Nigeria	3.00%	5.50%	0.00%
South Africa	6.48%	6.56%	0.31%
Uganda	10.33%	11.10%	0.00%
Egypt	20.33%	18.33%	0.03%

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