

February 13, 2022

Ghana Market Review

Treasury expected to close DDEP with an end-of-offer announcement: The Domestic Debt Exchange Programme (DDEP) offer period expired on February 10, 2023, following a 3-day administrative window from the original offer close date of February 7. A formal end-of-offer announcement is expected today, February 13, 2023, ahead of settlement tomorrow, February 14, 2023. While we expect the institutional investors to participate fully, the excluded pensions sector, the individual bondholders (who have shown spirited resistance to the DDEP) and offshore investors (who have not openly signalled intent) account for almost 24% of the eligible bonds. Against this backdrop, the 80% target participation appears unlikely, and we reckon, following the stiff opposition to the DDEP, that a 70% participation will represent success and may be enough to secure the IMF Board's approval.

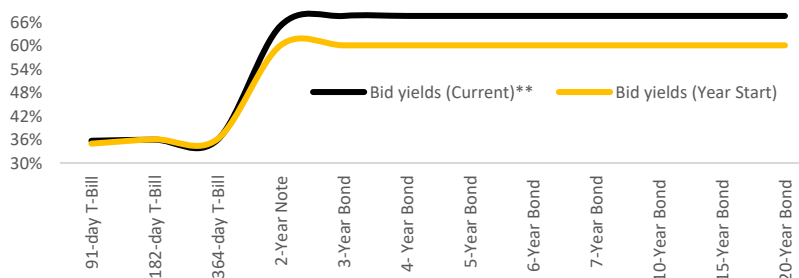
Cedi posts mixed performance but remain broadly volatile: The Cedi posted a mixed performance against the major trading currencies and across the market segments last week. While the local unit was unchanged against the USD w/w, it gained 1.2% versus the Euro and was marginally weaker versus the GBP on the interbank reference market at the close of trading last week. However, the local unit shaved off 1.2% versus the USD on the retail market but appreciated against the Euro and the GBP.

The external debt service suspension and the muted activity in LCY bonds amidst the prevailing uncertainty appear to have offered a temporal respite to the Cedi. However, we envisage depreciation risks from speculative activity as the FX market remains highly uncertain and news sensitive.

The Treasury exceeded its auction target again last week: The Treasury's latest offer of 91-day to 364-day bills raked in total demand valued at GH¢3.38 billion against the offer target of GH¢3.35 billion as investors look for short-term positions on the market amidst the limited options. The Treasury accepted 99.14% of the tendered bids, exceeding the week's refinancing obligation by 32%. The clearing yields were broadly stable, with the 91-day (35.75% | -1bp w/w) and 364-day (35.81% | -19bps YTD) yields trimming a few basis points while the 182-day bill gained 3bps w/w to 35.81%.

Amidst the limited domestic investment options and the tight credit stance due to heightened risk, the interbank market remains awash with liquidity, with the interbank interest rate only rising by 66bps since the 100bps increase in the policy rate on January 30, 2022, remaining 213bps below the policy rate.

T-bill auction in the week ahead: T-bill maturity of FV worth GH¢1.57 billion is maturing on February 20, 2023, and the Treasury is targeting an offer size of GH¢1.71 billion across the 91-day and 182-day bills at the next auction slated for February 17, 2022, to rollover this upcoming maturity. We expect another strong demand at the next auction with marginal yield movement.



Cedi Performance Against Major Currencies						
	GH₵	US\$	GBP	€	JP¥	CN¥
Interbank Ref. rate	10.80	13.08	11.56	0.08	1.59	
W/W change	0.0%	-0.2%	1.2%	0.0%	0.5%	
YTD Change	-20.6%	-21.2%	-20.7%	-21.2%	-21.8%	
Indicative retail rate	12.65	15.15	13.50	0.09	1.78	
W/W change	-1.2%	1.7%	1.5%	2.1%	1.0%	
YTD change	-5.53%	-5.28%	-6.67%	-21.2%	-20.4%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	25.87%	25.83%	+4bps
Dec-22 Inflation	54.10%	50.30%	+3.8%
1-Yr Average Inflation	31.49%	31.49%	-
MPR (%)	28.00%	28.00%	-
Real MPR	-23.3%	-15.9%	-7.4%
GRR (%)	33.25%	33.25%	-

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	35.73%	35.75%	-1bp	35.73%
182-day	35.84%	35.81%	+3bps	35.84%
364-day	35.62%	35.81%	-19bps	35.62%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH₵'M)	3,378.45	1,953.83	+72.91%
Issuance (GH₵'M)	3,349.49	1,953.83	+71.43%
Target (GH₵'M)	2,759.00	1,423	+93.90%
Maturity (GH₵'M)	2,532.19	1,305.88	+93.90%
Target coverage ratio	1.21x	1.37x	n/a
Maturity coverage ratio	1.32x	1.50x	n/a
Bid/Cover ratio	1.009x	1.00x	n/a

The Week Ahead	
Gross Issuance Target - T-bills	GH¢1,708 million (-38.11% w/w)
Upcoming Maturity -T-bills	GH¢1,567.31 million (-38.1% w/w)

Secondary Market Activity			
Turnover – Bonds GH₵'Bn	1.333	0.754	+75.2% w/w
Turnover – Notes & Bills GH₵'Bn	1.443	1.495	-3.5% w/w

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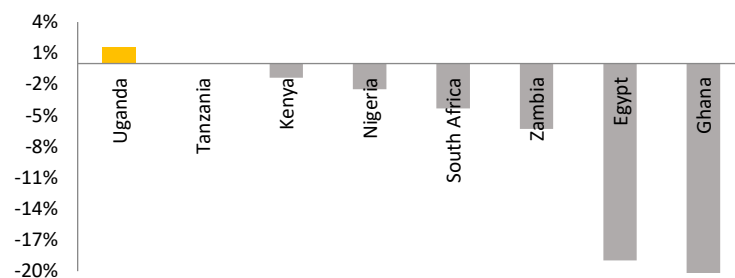
Week 3: Performance of Selected African Sovereign Bonds					
Country/ Ratings	Maturity	Current Price		Yield-to-Maturity	
Fitch/Moody 's/S&P		Bid	Ask	Bid	Ask
Ghana C/CA/SD	GHA 7% 08/07/23	49.70	60.30	210.7%	137%
	GHA 8% 05/07/42	36.05	37.58	23.913%	23.03%
	GHA8% 03/11/61	36.63	37.47	24.152%	22.99%
Egypt B+/B3/B	EGPT 4.55 11/20/23	98.94	99.87	9.4140%	11.86%
	EGPT 6% 04/30/40	62.37	63.67	12.128%	11.87%
	EGPT 7% 02/16/61	61.04	62.15	12.369%	11.15%
Kenya B/B2/B	KENINT 6% 6/24/24	94.02	95.32	11.74%	10.65%
	KENINT 6.3 1/23/34	76.26	77.60	9.90%	9.661%
	KENINT 8% 2/28/48	78.17	79.51	10.786%	10.6%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	97.98	98.96	11.469%	8.938%
	NGERIA 7% 9/28/33	70.35	71.44	12.486%	12.25%
	NGERIA 8% 9/28/51	67.42	68.52	12.429%	13.23%
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-	IVYCST 5% 07/23/24	96.07	97.49	8.321%	7.233%
	IVYCST 6% 06/15/33	89.49	90.70	7.61	7.428%
	IVYCST 6% 03/22/48	73.66	74.59	9.385%	9.262%

Ghana Economic Events Calendar for February-2023		
Event	Due date	Expectations
DDEP post offer announcement	February 13, 2023	Treasury expected to announce details of the DDEP, the success rate and next steps
DDEP offer settlement day	February 14, 2023	New bonds expected to settle on the CSD
BDCS forward FX auction	February 14, 2023	BoG expected to auction US\$40 million to BDCs
Jan-23 inflation release	February 15, 2022	Inflation to climb higher but at a slower pace
BDCS forward FX auction	February 24, 2023	BoG expected to auction US\$40 million to BDCs

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.52	-0.82%	32.58	0.28%	36.80	-0.87%
Kenya	125.08	-0.39%	134.73	1.25%	152.06	0.74%
Nigeria	459.99	0.12%	495.04	2.33%	559.03	1.55%
S. Africa	17.75	-3.41%	19.05	-1.93%	21.50	-2.74%
Tanzania	2309.54	0.00%	2486.68	1.56%	2806.56	0.87%
Uganda	3666.96	0.14%	3931.34	1.77%	4434.82	1.15%
Zambia	15.42	-0.70%	20.60	1.61%	23.32	0.54%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



Other African Markets Review

Egypt: Moody's downgrades Egypt to B3 amidst reducing external buffers.

Last week, Moody's investor service downgraded Egypt's long-term foreign and local currency Issuer Default Rating (IDR) a notch lower to B3 and changed the outlook to stable (from Negative). The agency cited Egypt's reduced external buffers and the reduced capacity to absorb shocks as the economy undergoes major structural reforms as the main drivers of the rating. Moody's cited the dedicated domestic financing base, the record of primary surpluses and the ongoing reforms to improve external competitiveness as balancing the near-term risks, hence the stable outlook (from negative).

Egypt is embarking on ambitious structural reform with a shift to a flexible exchange rate regime and an ongoing re-orientation of economic activity to an export-oriented and private sector-led economy. The immediate shocks from the currency devaluation have weakened the stock of liquid FX reserves, reflected in the large build-up of net foreign liability positions within the banking system. Consequently, the Pound is on the back foot, closing the week 18.97% weaker versus the USD YTD, with the depreciation passthrough keeping inflation elevated. Inflation could run hotter in the immediate term, and despite the emerging risks to growth, we expect the monetary policy stance to remain tight until inflation resumes a downward path.

We expect the adoption of the flexible exchange rate regime and the recent removal of the directive on the letters of credit will support the gradual rebalancing of the external position, which should anchor currency stability over the medium term.

SSA: Snapshot of Benchmark 91-day Yields			
Country	Current week (%)	Previous Week (%)	w/w Change (%)
Nigeria	0.29%	0.29%	0.00%
South Africa	6.58%	6.45%	0.13%
Uganda	10.38%	10.38%	0.00%
Egypt	20.65%	20.65%	0.00%
Kenya	9.54%	9.47%	0.13%
Tanzania	4.00%	3.65%	0.35%
Zambia	10.00%	9.75%	0.25%

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

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49 Ndabaningi Sithole Rd

Labone, Accra