

March 20, 2023

Ghana Market Review

End-March 2023 deadline for IMF deal looms as the government steps up efforts to engage China: The government of Ghana is racing against time to secure the IMF Executive Board's approval by the March 2023 internal target. As of today, Monday, March 20, 2023, the official Creditor Committee, as required under the G-20 Common Framework for debt restructuring, is yet to be constituted.

The government have successfully brought closure to the Domestic Debt Exchange Programme (DDEP), a significant prior action for board approval. However, securing financing assurances with the bilateral creditor committee remains the main hindrance as Ghana's largest bilateral creditor, China, is yet to come on board. A second round of negotiations between the Ghanaian and Chinese government delegations is imminent following a first round of negotiations in Accra earlier in March, which the finance ministry described as "cordial and fruitful".

With the depleted FX reserves, weak external balances and lost access to the capital market, extended delays in the official start of the IMF programme will further dent market confidence and undermine the credibility of the 2023 fiscal framework, given the scale of adjustments required to restore fiscal and debt sustainability. Already debt service on selected categories of external debts stands suspended, and the sovereign has defaulted on the Eurobond coupon obligation that fell due in Jan-2023. An extended stalemate in the external debt restructuring negotiations is thus undesirable and may prolong the road to regaining market access.

Cedi stable in the interim but remains vulnerable: The Cedi's unpredictable run against the major trading currencies continued, with the local unit recovering 1.2% vs the USD on the retail market at the close of trading last week. However, the performance was mixed, closing flat vs the Euro while ceding 1.6% to the GBP on the retail market. The interbank reference FX market also mimicked the retail market. The USDGHS pair closed unchanged for the second consecutive week while posting a mixed performance against the Euro and the GBP.

Thus, the Cedi remains range bound against the greenback, moving within the GH¢11.75/US\$ to GH¢13.2/US\$ support and resistance levels. The local unit could close Q1 2023 with a cumulative depreciation rate of around 20% on the interbank reference market and requires a balance of payments backstop from the IMF to limit potential depreciation pressures in Q2-2023.

The benchmark T-bill yield shaves off 17% in three weeks; the rate of decline slowing down: Investor demand at the last auction dipped by 7.44% w/w to GH¢3.896 billion at last week's auction of 91-day and 182-day bills. While the Treasury accepted almost all the bids tendered (99.8% uptake), investors continued to bid lower to be competitive, sustaining the Treasury's effort to depress money market yields. The GH¢3.88 billion uptake exceeded the auction target and T-bill maturities due today, March 20, 2023, by 40% and 47%, respectively. The clearing yields declined again, albeit slower, with the 91-day clearing at 18.53% (-1.47% w/w | -17% over the last three auctions), while the 182-day yield closed at 21.27% (-1.58% w/w).

Secondary market Activity: Bond trades accounted for about 26% of the GH¢861 million traded on the secondary market across bills and bonds last week. The GFIM remains dull, continuing the general trend of a net-offered market with almost non-existent bids from Q4-2022. While the more attractive T-bill yields declined sharply over the last three auctions, the prevailing market uncertainties as the dust settles on DDEP continue to affect risk appetite, with investors preferring short-term exposures.

T-bill auction in the week ahead: The Treasury is targeting GH¢3.21 billion at the next T-bill auction slated for March 24, 2023, which exceeds the T-bill refinancing obligation due on Monday, March 27, 2023, by about 71%. The higher offer size relative to the rollover obligation could halt the auction yield decline at the next auction.

Cedi Performance Against Major Currencies					
GHS¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.01	13.40	11.75	0.08	1.60
W/W change	0.00%	-0.49%	0.17%	-1.68%	-0.37%
YTD Change	-22.1%	-23.1%	-22.2%	-22.18%	-22.5%
Indicative retail rate	12.70	15.45	13.60	1.79	0.09
W/W change	1.2%	-1.6%	0.0%	-1.2%	-3.8%
YTD change	-5.9%	-7.1%	-7.4%	-21.5%	-20.9%

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%
Feb-23 Inflation	52.80%	53.60%	-0.80%
1-Yr Average Inflation	37.88%	34.78%	+3.10%
MPR (%)	28.00%	28.00%	-
Real MPR	-24.80%	-25.60%	-
GRR (%)	32.91%	32.91%	-

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	18.53%	20.00%	-1.47%	-
182-day	21.27%	22.85%	-1.58%	-
364-day	26.82%	26.82%	0.00%	-

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,895.83	4,209.19	-7.44%
Issuance (GH¢'M)	3,879.28	3,318.32	+16.90%
Target (GH¢'M)	2,775	2,417	+14.81%
Maturity (GH¢'M)	2,641.95	2,278.61	+15.95%
Target coverage ratio	1.40x	1.37x	n/a
Maturity coverage ratio	1.47x	1.46x	n/a
Bid/Cover ratio	1.004x	1.27x	n/a
The Week Ahead			
Issuance Target - T-bills (GH¢'Bn)	3,206.00	2,775.00	+15.53%
Maturity -T-bills (GH¢'Bn)	1,878.51	2,641.95	-28.90%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.227	0.2206	+2.9% w/w
Turnover – Notes & Bills GH¢'Bn	0.6435	0.422	+52.49 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	60.60	254.79%	163.7%
	GHA 8% 05/07/42	34.34	35.77	25.44%	24.51%
	GHA8% 03/11/61	33.90	35.71	23.182%	22.11%
Egypt B+/B3/B	EGPT 4.55 11/20/23	95.22	96.17	12.014%	10.48%
	EGPT 6% 04/30/40	55.02	56.28	13.771%	13.47%
	EGPT 7% 02/16/61	55.46	56.56	13.596%	13.33%
Kenya B/B2/B	KENINT 6% 6/24/24	93.87	95.28	12.18%	10.91%
	KENINT 6.3 1/23/34	73.27	74.57	10.476%	10.23%
	KENINT 8% 2/28/48	73.87	75.21	11.436%	11.23%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	97.85	98.87	13.075%	9.836%
	NGERIA 7% 9/28/33	71.74	72.85	12.212%	11.98%
	NGERIA 8% 9/28/51	68.02	69.13	12.325%	12.13%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.66	99.10	6.312%	5.768%
	SOAF 5 10/12/46	69.15	70.26	7.906%	7.77%
	SOAF 7.3 04/20/52	86.66	87.41	8.549%	8.47%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	95.61	97.17	8.868%	7.602%
	IVYCST 6% 06/15/33	84.77	86.02	8.364%	8.161%
	IVYCST 6% 03/22/48	66.78	67.79	10.394%	10.24%

Other African Markets Review

Nigeria: Inflation resumes upward as expenditure and depreciation pressures rekindle general price pressures; MPC will sustain a tight stance at tomorrow's policy meeting.

After a temporal dip in inflation in Dec-2022, Nigeria's headline inflation resumed the upwards trend since the turn of the year, creeping to 21.91% in Feb-2023 (from 21.82% in January). The 10-consecutive month inflation run in 2022 saw inflation rise by 6.1% from Feb-2022 to 21.47% in Jan-2023, triggering a 700bps hike in the monetary policy rate as the Central Bank of Nigeria (CBN) maintained a hawkish stance in an attempt to regain a handle on inflation.

While the monetary policy interventions have slowed the inflation rate in recent months, the lagged impact of election-related expenditures, lingering food price pressures, and lingering NGN depreciation pressures could sustain the upward risks to inflation. With inflation resuming an upward trend amidst the emerging risks to the outlook, we expect the next MPC meeting slated for tomorrow, Tuesday, March 21, 2023, to re-emphasize a tight policy stance, potentially delivering up to a 100bps hike in the policy rate.

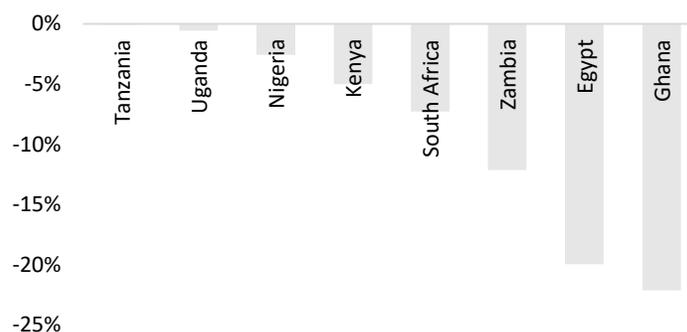
Ultimately, the aggressive shift to a cash-light society characterized by the enforcement of the digital payments plan and the rollout of the E-Naira will improve monetary policy transmission, which should anchor general price stability.

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
CPI inflation for February 2022	March 15, 2023	Marginal increase in inflation, reflecting the effects of tax measures and utility tariff
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	2.55%	5.50%	1.11%	-	0.00%	2.55%
Kenya	6.48%	6.56%	0.22%	-0.86%	-0.99%	6.48%
Nigeria	10.33%	11.10%	0.00%	0.12%	-12.64%	10.33%
S. Africa	20.87%	18.33%	0.55%	-0.84%	12.83%	20.87%
Tanzania	9.78%	9.37%	0.04%	0.27%	8.82%	9.78%
Uganda	3.99%	3.00%	0.00%	-1.81%	-2.72%	3.99%
Zambia	10.00%	10.00%	0.00%	0.09%	-28.84%	10.00%

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	1.44%	5.50%	-1.56%
South Africa	6.48%	6.56%	0.00%
Uganda	10.33%	11.10%	0.00%
Egypt	20.33%	18.33%	0.00%
Kenya	9.74%	9.37%	0.04%
Tanzania	3.99%	3.00%	0.00%
Zambia	10.00%	10.00%	0.00%

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

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

Advisory & Capital Markets Contacts

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