

February 27, 2022

Ghana Market Review

Q1 2023 timeline for securing Board-level approval hangs in the balance: Ghana's quest to expedite engagements with bilateral creditors on debt restructuring and secure financing assurances could extend beyond Q1-2023 following delays in constituting the official creditor. Negotiations with the Chinese officials slated for late last week stand postponed, and the government's Mar-2023 timeline to secure board-level approval hangs in the balance.

The government has suspended external debt service as a stop-gap measure, pending an orderly external debt restructuring. Thus, the Treasury skipped coupon payments on the Jan-2026 and Feb-2035 Eurobonds, with coupons on Mar-2027, 2032, 2051 and 2061 tenors also falling due in 1Q-2023. The sovereign is thus in selective default, and an extended delay in engaging bilateral creditors beyond Q1 2023 will further worsen the near-term macroeconomic outlook.

Potentially drawn-out external debt restructuring weighing the Cedi: The Cedi's volatile run continues, with the local unit closing weaker vs the USD on the interbank and the retail market segments last week. The GHS ceded 1.9% and 1.5% vs the USD on both the interbank and the retail market segments, respectively, and closed weaker against the other major trading currencies. We believe the continuous delays in the constitution of a bilateral creditor committee to consider Ghana's request for debt restructuring under the common framework and the consequent delay in securing the financing assurances required to obtain the IMF Board's approval will continue to weigh on the Cedi in the near term.

Further clarity emerged on the government's Gold for Oil (Gold4Oil) policy last week, with the government seeking to cover about 50% of the annual oil import bill. Given an average monthly petroleum import bill of about US\$400 million, success could yield about US\$2.3 billion in savings on the FX reserves. However, the policy is a temporal measure aimed at addressing the immediate FX liquidity challenges and appears to have merely switched the control of proceeds from receipts of gold from the small-scale miners from private dealers to the Central Bank. Accordingly, we expect the Gold4Oil policy only to impact currency stability moderately in 2023.

T-bills auction 76% oversubscribed: With the domestic financial sector awash with liquidity, demand for T-bills at the last auction went a notch higher. The Treasury accepted all the bids tendered worth GH¢5.07bn across the 91,182 and 364-day tenors, exceeding the auction target by 76% and the refinancing obligation by 91%. The significant oversubscription forced the clearing yields down, with the 91-day (35.55% | -12bps w/w), the 182-day (35.56% | -16bps w/w) yields inching lower while the 364-day yield eased by 141bps w/w to 34.21%. We believe investors seek to lock in higher yields on the 364-day bill as inflation shows signs of peaking.

Secondary market Activity: Post-DDEP activity on the secondary bonds market kicked off slowly, with an aggregate volume of GH¢1.51 billion across bills and bonds changing hands. The exchanged bonds dominated activity for the week, accounting for 99.41% of the total face value of bonds traded last week. The instruments are priced as new issuances with the offer and bid prices quoted close to par but the actual trades occurred at varied prices, some at deep discounts to the face value.

T-bill auction in the week ahead: A total face value worth GH¢2.776 bn is maturing on March 6, 2023, and the Treasury is targeting an offer size of GH¢2.55 bn across the 91-day to 364-day bills at the next auction to rollover this upcoming maturity. We expect an equally strong appetite for this offer with another substantial demand for the 364-day bill as we expect the steady decline in T-bill yields to continue.

Cedi Performance Against Major Currencies					
GHS¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.01	13.17	11.63	0.08	1.58
W/W change	-1.90%	-1.38%	-0.78%	-0.49%	-0.66%
YTD Change	-22.1%	-21.71%	-21.3%	-19.78%	-21.7%
Indicative retail rate	13.15	-0.09	15.90	-0.10	14.10
W/W change	-1.5%	-2.2%	-2.1%	-3.3%	-3.2%
YTD change	-9.1%	-9.7%	-10.6%	-24.5%	-22.9%

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%
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 (%)	33.25%	33.25%	-

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	35.55%	35.67%	-12bps	35.67%
182-day	35.56%	35.72%	-16bps	35.72%
364-day	34.21%	35.62%	-141bps	35.62%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	5,067.92	3,378.45	-7.97%
Issuance (GH¢'M)	5,067.92	3,349.49	+71.43%
Target (GH¢'M)	2,885	2,759.00	+93.90%
Maturity (GH¢'M)	2,648.37	2,532.19	+93.90%
Target coverage ratio	1.76x	1.21x	n/a
Maturity coverage ratio	1.91x	1.32x	n/a
Bid/Cover ratio	1.00x	1.009x	n/a
The Week Ahead			
Issuance Target - T-bills (GH¢'Bn)	2,776.00	1,708.00	
Maturity - T-bills (GH¢'Bn)	2,548.58	1,567.31	-3.77%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.754	0.136	+454% w/w
Turnover – Notes & Bills GH¢'Bn	0.755	0.702	+7.55% w/w

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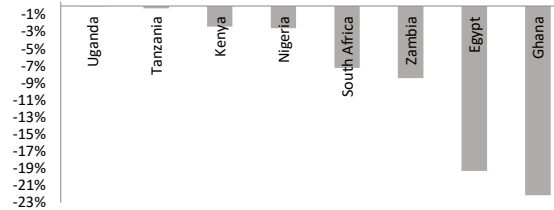
Week 3: Performance of Selected African Sovereign Bonds					
Country/Ratings	Maturity	Current Price		Yield-to-Maturity	
Fitch/Moody's/S&P		Bid	Ask	Bid	Ask
Ghana C/CA/SD	GHA 7% 08/07/23	49.77	60.49	220.22%	142.5%
	GHA 8% 05/07/42	37.22	38.52	23.336%	22.62%
	GHA8% 03/11/61	36.49	38.31	23.708%	22.59%
Egypt 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-	IVYCST 5% 07/23/24	96.03	97.58	8.395%	7.197%
	IVYCST 6% 06/15/33	86.60	87.92	8.061%	7.854%
	IVYCST 6% 03/22/48	70.28	71.31	9.859%	9.711%

Ghana Economic Events Calendar for March-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
February 2022 inflation release	February 8, 2023	Headline inflation could marginally decline again
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	30.63	-0.25%	32.31	1.14%	36.59	0.51%
Kenya	126.43	-0.64%	133.97	0.28%	152.12	-0.65%
Nigeria	460.45	0.01%	487.02	0.44%	551.80	-0.41%
S. Africa	18.31	-0.21%	19.40	0.20%	22.04	-1.18%
Tanzania	2315.52	-0.25%	2455.62	-0.11%	2773.04	-0.65%
Uganda	3726.50	-1.52%	3921.43	-0.44%	4456.88	-1.63%
Zambia	15.42	-1.43%	20.86	-0.90%	23.64	-1.60%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



Other African Markets Review

Nigeria: GDP growth for 2022 comes in at 3.1% (-40bps y/y) driven by the services sector.

Nigeria's annualized real GDP growth for Q4 2022 came in at 3.52%, 1.28% higher than the outturn in the third quarter but falling marginally short of the 3.92% growth rate recorded in Q4-2021.

The services sector was the main growth driver, with a growth rate of 5.69% and accounting for 56.27% of overall GDP in Q4 2022. The severe nationwide flood in 2022 significantly hampered growth from the otherwise robust agriculture sector, depressing growth below the Q4-2021 outturn at 2.05%. The industrial sector contracted again by 0.94%, compared to Q3 -2022 and Q4 -2021. For FY2022, the economy grew by 3.1% (-30bps y/y), with slower growth from the agriculture sector and contraction from the industrial sector impeding growth.

Kenya: Government to defer payments on oil imports as FX pressure mounts.

Kenya's energy minister, Davis Chirchir, announced that the government is seeking to defer payments for oil imports to suppliers for up to a year to ease pressure on the FX reserve.

Kenya's stock of FX reserves has fallen below the regulatory threshold of 4 months of imports, which remains a source of pressure on the Shilling. The policy to defer oil payments for 6 to 12 months allows the government space to honour external debt service obligations, with the minister indicating the push to receive the first oil shipments under the framework by April-2022. If successful, the framework will create a temporary respite to manage the limited FX, but the framework will create a backlog of FX obligations in the future that could undermine the shilling.

SSA: Snapshot of Benchmark 91-day Yields			
Country	Current week (%)	Previous Week (%)	w/w Change (%)
Nigeria	3.00%	5.50%	-2.50%
South Africa	6.48%	6.56%	0.11%
Uganda	10.33%	11.10%	-0.72%
Egypt	20.29%	18.33%	0.01%
Kenya	9.66%	9.37%	0.26%
Tanzania	3.99%	3.00%	0.99%
Zambia	10.00%	9.75%	0.25%

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