

April 3, 2023

Ghana Market Review

IMF deal is imminent following significant progress on the outstanding prior actions: The government of Ghana moved a step closer to securing the IMF Executive Board's approval for the US\$3bn, 3-Year programme supported by the Extended Credit Facility following an eventful fortnight. The government successfully passed three revenue bills pending presidential assent, which the government expects would rake in about GH¢4 billion in the 2023 fiscal year. The government has also made progress in negotiations with bilateral creditors towards securing financing assurances and a commitment to the debt restructuring programme.

The passage of the three new revenue bills completes the prior actions on the revenue side required to anchor a credible fiscal consolidation under the IMF programme. The breakthrough in negotiations with China and the assurances from the Paris Club members and other bilateral creditors represent significant progress. Thus, the government could secure financing assurance from official creditors later this April to pave the way for the programme's official start.

Ghana remains locked out of the international financial market. At the same time, domestic financing appetite thus far in 2023 is limited to the short term, with the high T-bill rates potentially eroding some of the interest savings from the domestic debt exchange programme. Thus, the official start of the IMF programme will unlock concessional financing, paving the way for a sharper compression in T-bill yields as the Treasury reduce reliance on short-term funding.

Cedi extends rally versus the major trading currencies: The Cedi has thus far responded favourably to the progress on the prior actions, extending the resilient run against the major trading currencies over the last three weeks. Within these three weeks, the Cedi recovered 7.08% against the USD on the retail market to close last week at GH¢12/US\$ (+5.4% w/w), which trimmed the cumulative depreciation vs the greenback to 0.42% YTD. The Cedi also recorded 4.7% and 5% appreciation w/w against the GBP (-3.37% YTD) and the Euro (-3.82% YTD), respectively.

A boost to the stock of FX reserve from the anticipated concessional financing could sustain the resilient run into 2H2023. In the meantime, we expect speculative sales in anticipation of an imminent IMF deal will maintain the rally, and the Cedi could close around GH¢11.3/US\$ on the retail market the week ahead.

T-bill yields tilt north following the 1.5% hike in the policy rate last week: Last week's offer of T-bills closed with an aggregate demand worth GH¢1.62bn, exceeding the offer target by 21.44%. The Treasury accepted 98.43% of the bids tendered, exceeding the refinancing obligation for the week by 25%. Following the 1.5% hike in the policy rate, the level of demand at the T-bill auction dropped last week, and investors bid slightly higher at the auction, resulting in 51bps and 42bps increases in the 91-day and 182-day yields to 19.39% and 21.86%, respectively. We note that the lower and upper bid rates increased from 16.7665% to 19.20% at the preceding auction to 17.2249% to 19.9552% at the last auction, reflecting the liquidity squeeze from the policy rate action. With the 2% increase in the Cash Reserve Ration (CRR) set to take effect from April 13, 2023, demand for T-bills could be further depressed, posing an upside risk to nominal yields.

Secondary market Activity: Activity in the secondary bonds market remains depressed, with the value of bonds traded last week declining by 79.13% to GH¢62.4 million. T-bills rediscounting dominated activity again last week, with an aggregate volume of GH¢948 million traded (-5.11% w/w).

T-bill auction in the week ahead: The next T-bill offer slated for Thursday, April 6, 2023, will target a gross issuance size of GH¢1.767 billion across the 91-day to 364-day tenors to refinance upcoming maturities worth GH¢1.685 billion, we expect demand to remain slightly depressed and the liquidity squeeze could push yields marginally higher across the T-bill curve.

Cedi Performance Against Major Currencies					
GHS¢	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	11.01	13.62	11.97	0.08	1.60
W/W change	0.01%	-1.13%	-1.03%	1.93%	0.04%
YTD Change	-22.1%	-24.3%	-23.6%	-21.71%	-22.7%
Indicative retail rate	12.00	14.85	13.10	1.70	0.09
W/W change	5.4%	4.7%	5.0%	5.7%	6.2%
YTD change	-0.4%	-3.4%	-3.8%	-17.3%	-16.7%

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%	52.80%	-0.80%
1-Yr Average Inflation	37.88%	37.88%	+3.10%
MPR (%)	29.50%	28.00%	+150bps
Real MPR	-23.30%	-23.30%	-
GRR (%)	32.91%	32.91%	-

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	19.39%	18.88%	0.51%	-
182-day	21.86%	21.44%	0.42%	-
364-day	25.66%	25.66%	0.00%	-

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	1,624.84	2,441.89	-33%
Issuance (GH¢'M)	1,599.27	2,441.40	-34%
Target (GH¢'M)	1,338	3,206	-58%
Maturity (GH¢'M)	1,277.04	1,878.51	-32%
Target coverage ratio	1.20x	0.76x	n/a
Maturity coverage ratio	1.25x	1.30x	n/a
Bid/Cover ratio	1.02x	1.0002x	n/a
The Week Ahead			
Issuance Target - T-bills (GH¢'Bn)	1,767	1,338.00	+32.06%
Maturity -T-bills (GH¢'Bn)	1,684.59	1,277.04	+31.91%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.0624	0.299	-79.13% w/w
Turnover – Notes & Bills GH¢'Bn	0.948	0.999	-5.11 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	45.70	55.25	347.77%	237.1%
	GHA 8% 05/07/42	33.44	35.01	26.407%	25.29%
	GHA8% 03/11/61	32.90	34.89	24.096%	22.84%
Egypt B+/B3/B	EGPT 4.55 11/20/23	94.59	95.58	13.818%	12.05%
	EGPT 6% 04/30/40	54.29	55.56	13.963%	13.65%
	EGPT 7% 02/16/61	53.84	54.94	13.996%	13.72%
Kenya B/B2/B	KENINT 6% 6/24/24	98.72	99.82	14.30%	12.98%
	KENINT 6.3 1/23/34	69.95	71.378	11.151%	10.86%
	KENINT 8% 2/28/48	72.66	74.28	11.631%	11.37%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	98.72	99.82	11.046%	6.954%
	NGERIA 7% 9/28/33	70.63	71.80	12.56%	12.28%
	NGERIA 8% 9/28/51	66.18	67.40	12.667%	12.44%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.92	99.37	6.082%	5.491%
	SOAF 5 10/12/46	69.01	70.24	7.926%	7.775%
	SOAF 7.3 04/20/52	86.75	87.57	8.541%	8.455%
Cote Ivoire BB-/Ba3/BB-	IVYCSST 5% 07/23/24	96.21	97.761	8.495%	7.197%
	IVYCSST 6% 06/15/33	86.33	87.649	8.364%	8.161%
	IVYCSST 6% 03/22/48	69.05	70.112	10.048%	9.89%

Other African Markets Review

South Africa: The SARB surprised the market with a higher-than-expected repo rate hike; the near-term interest rate outlook is uncertain

The Monetary Policy Committee of the Reserve Bank of South Africa delivered its 9th successive interest rate hike at its Mar-2023 policy meeting last week in response to increasing risks to inflation. In a split 3-2 decision (between 50bps and 25bps hike), the MPC increased the repo rate by 50bps to 7.75% (+425bps since Nov-21).

While inflation has broadly declined since July-2022, the momentum stalled in Feb-2023 with rising fuel, electricity and food prices increasing headline inflation marginally to 7% y/y (+0.1%). While growth has been volatile in South Africa and the near-term outlook remains uncertain, the severe power cuts in South Africa mean that electricity and other administered prices continue to weigh on inflation.

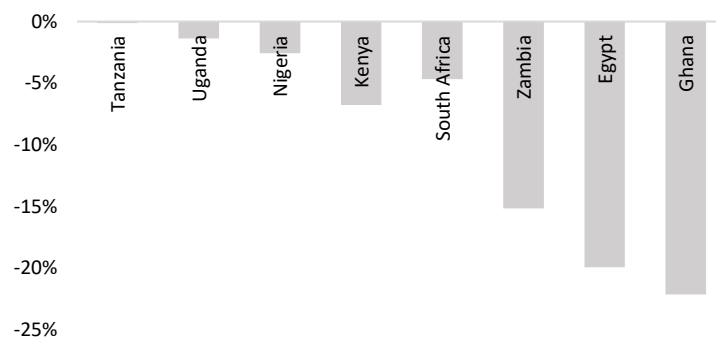
Consequently, the MPC assessed the upside risks to inflation to be higher in the near term, revising the end-2023 headline inflation target higher to 6% (up from the earlier forecast of 5.4%). The 50bps rate hike was higher than expected, and the outlook for future interest rate action now appears uncertain as the inflation trajectory until Feb-2023 suggested that the SARB could pivot beyond Mar-2023. While the decision could distort the already uncertain growth outlook, it supports offshore risk-taking in South Africa. The Rand has responded positively, recording almost 2% appreciation vs the USD at the closing of trading last week.

Ghana Economic Events Calendar for April-2023		
Event	Due date	Expectations
March 2023 inflation release	April 12, 2023	Inflation to continue the decline
March 2023 PPI release	April 19, 2023	PPI to continue the decline
Q4 & FY2022 GDP release	April 19, 2023	Quarterly and annual GDP numbers to slow down y/y

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.48	-0.74%	38.10	-0.84%
Kenya	132.33	-1.85%	144.37	-1.02%	163.67	-1.18%
Nigeria	460.35	0.02%	500.63	-2.63%	569.73	-2.44%
S. Africa	17.81	1.97%	19.37	1.16%	22.01	1.16%
Tanzania	2,311.54	-0.02%	2,517.04	-1.39%	2,864.00	-1.45%
Uganda	3,776.17	-0.16%	4,113.76	-0.71%	4,675.65	-0.95%
Zambia	15.42	-0.88%	23.19	-2.11%	26.39	-2.21%

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	6.00%	5.50%	3.45%
South Africa	6.48%	6.56%	-0.02%
Uganda	10.33%	11.10%	0.32%
Egypt	20.92%	18.33%	0.05%
Kenya	9.91%	9.37%	0.13%
Tanzania	4.00%	3.00%	0.01%
Zambia	10.00%	10.00%	0.00%

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