

April 11, 2023

Ghana Market Review

Mar-2023 inflation due tomorrow with another marginal dip on the horizon: We expect another marginal drop in inflation for Mar-2023 due tomorrow, April 12, 2023. Headline inflation has reversed the trend since Jan-2023, easing marginally for two consecutive months from 54.1% in Dec-2022 to 52.8% in Feb-2023.

For the Mar-2023 print, while we expect the price effects of the utility tariff adjustment in February 2023 and the rollout of key revenue measures in 2023 to reflect fully, the main sources of pressure to inflation have subsided, potentially moderating the emerging price pressures. Given the favourable developments in the global market for oil, ex-pump fuel prices have declined by more than 20% since the first pricing window in Feb-2023 to GHS12.65/Lt by April 2023, with the Cedi also recording sharp appreciation vs the major trading currencies within this period. Inflation is beginning to ease from both the food and non-food baskets, which we expect to nullify the impact of the new revenue measures. Consequently, we expect another marginal dip in inflation for Mar-2023 with a sharper pace of disinflation set for Q2-2023. The Treasury's T-bill yield compression strategy in March 2023 resulted in a sharp drop in the Ghana Reference Rate (GRR) for April to 25.76% (-7.15% m/m), although the policy rate remains high. Therefore, a sustained disinflation process from 2Q 2023 should set the tone for a faster decline in nominal yields and lending rates on the credit market.

Cedi corrects sharply as Ghana inches closer to sealing an IMF deal: The Cedi's purple patch continued on the interbank and the retail market segments last week, with the local unit switching into the net appreciation territory YTD on the retail market. This renewed optimism follows progress with almost all the prior actions for the IMF Boards' approval of Ghana's request for a US\$3 billion, 3-year programme supported by the extended Credit Facility.

In a news report, the Finance Minister, Hon. Ken Ofori-Atta, indicated that the official creditor committee will meet later today to consider Ghana's request for financing assurances, which remains the only outstanding item in the list of prior actions. A favourable consideration could result in a memorandum granting the financing assurance that will pave the way for the IMF Executive Board's approval.

We believe positive trends in the FX market reflect this sentiment, with the Cedi correcting sharply across all the major trading currencies on the retail market. Despite the generally weak external sector balances, we believe investors overreacted to Ghana's economic challenges, and the Cedi is significantly undervalued. We now expect the corrective run to extend through the coming weeks, and we envisage stability around GHS9/US\$ with a generally improved outlook in 2H2023, all things being equal.

GHS liquidity squeeze sustains the northward trek in T-bill yields: Last week's T-bill offer raked in a total demand worth 1.883 billion against the offer target of GHS1.77bn. The Treasury accepted 98.6% of the bids tendered, exceeding the rollover obligation for the week by 10%. However, the auction cleared at higher yields (+31bps - +129bps) across the T-bill curve, reflecting the impact of the latest policy rate hike. With the 2% increase in the Cash Reserve Ratio expected to take effect later this week, liquidity conditions could tighten further, sustaining T-bill yields higher.

Secondary market Activity: The story on the secondary market is indifferent as the broadly muted activity and almost non-existent bidding interest persist. Turnover in GoG bonds dipped by 20.47% w/w to GHS 230.78 million, and the volume traded for T-bills also eased by 52.4% to GHS475.3 million at the auction.

T-bill auction in the week ahead: The Treasury will attempt a gross issuance of GHS1.67 billion at the next T-bill auction slated for Friday, April 14, 2023, to rollover a maturing face value worth GHS1.59 billion next week. With the 2% increase in the Cash Reserve Ratio set to kick in just before the auction on Friday, GHS liquidity levels could tighten further and sustain T-bill yields higher.

Cedi Performance Against Major Currencies

	GHS¢	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	10.93	13.60	11.94	0.08	1.59	
W/W change	0.77%	0.19%	0.19%	-0.12%	0.81%	
YTD Change	-21.5%	-24.16%	-23.4%	-21.81%	-22.0%	
Indicative retail rate	11.00	13.80	12.10	1.56	0.08	
W/W change	9.1%	7.6%	8.3%	9.0%	8.0%	
YTD change	8.6%	4.0%	4.1%	-9.9%	-10.0%	

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 (%)	25.76%	32.91%	-7.15%

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T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	19.69%	19.39%	+31 bps	-13.19%
182-day	22.25%	21.86%	+39 bps	-11.34%
364-day	26.96%	25.66%	+129 bps	-7.92%

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The Ghana Market Summary

	Current	Previous	Change
Bid (GHC'M)	1,883.02	1,624.84	+16%
Issuance (GHC'M)	1,855.90	1,599.27	+16%
Target (GHC'M)	1,767	1,338	+32%
Maturity (GHC'M)	1,684.59	1,277.04	+32%
Target coverage ratio	1.05x	1.20x	n/a
Maturity coverage ratio	1.10x	1.25x	n/a
Bid/Cover ratio	1.015x	1.02x	n/a

The Week Ahead

Issuance Target - T-bills (GHC'Bn)	1,666	1,767	-5.72% w/w
Maturity -T-bills (GHC'Bn)	1,587.27	1,684.59	-5.78% w/w

Secondary Market Activity

Turnover – Bonds GHC'Bn	0.2378	0.0624	-20.47% w/w
Turnover – Notes & Bills GHC'Bn	0.4753	0.948	-52.42% w/w

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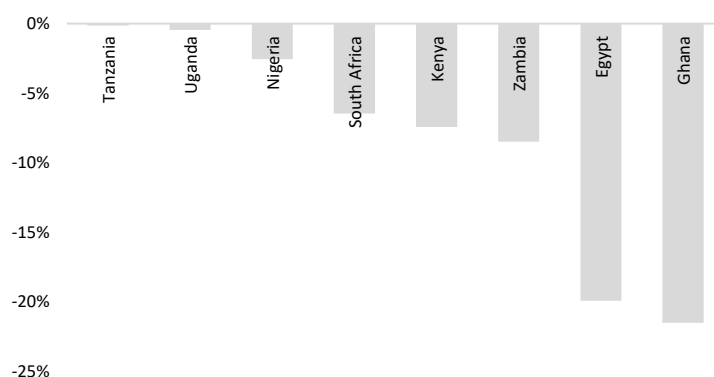
Week 3: Performance of Selected African Sovereign Bonds					
Country/Ratings	Maturity	Current Price		Yield-to-Maturity	
Fitch/Moody's/S&P		Bid	Ask	Bid	Ask
Ghana C/CA/SD	GHA 7% 08/07/23	45.70	55.25	347.77%	237.1%
	GHA 8% 05/07/42	33.44	35.01	26.407%	25.29%
	GHA 8% 03/11/61	32.90	34.89	24.096%	22.84%
Egypt 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-	IVYCST 5% 07/23/24	96.21	97.761	8.495%	7.197%
	IVYCST 6% 06/15/33	86.33	87.649	8.364%	8.161%
	IVYCST 6% 03/22/48	69.05	70.112	10.048%	9.89%

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%	33.66	-0.53%	38.35	-0.64%
Kenya	133.30	-0.73%	145.89	-1.04%	166.31	-1.58%
Nigeria	460.33	0.00%	503.74	-0.62%	574.35	-0.81%
S. Africa	18.16	-1.89%	19.79	-2.10%	22.62	-2.70%
Tanzania	2311.88	-0.01%	2531.69	-0.58%	2883.18	-0.67%
Uganda	3742.47	0.90%	4078.86	0.86%	4660.03	0.34%
Zambia	15.42	7.87%	21.51	7.81%	24.54	7.52%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



Other African Markets Review

Egypt: March 2023 inflation raced to 32.7%, the highest print since Jul-2017

Urban inflation in Egypt increased for the 9th consecutive month since Jul-2023 to 32.7% (+80bps from Feb-2023), just a tad below the record high level of 32.95% recorded in Jul-2017.

We note the seasonal food price spikes around the holy month of Ramadan and the continuing currency depreciation pressures following the devaluation of the Pound as the main drivers of the higher urban inflation for March 2023. The March 2023 inflation print shows heightened price pressures from the food and non-alcoholic beverages basket as the primary price pressure point.

On a month-on-month basis, however, urban inflation declined sharply to 2.7% in Mar-2023 (from 6.5% in February and 4.7% in January), signaling that urban inflation may be near a peak as reflected in the 76bps slowdown in core inflation from the record-high level of 40.26% in February to 39.50% in March.

Given that urban inflation shows signs of persistence and core inflation remains substantially above the headline, monetary policy will remain aggressively tight. However, the higher interest rates could encourage portfolio investment inflows to the shorter ends of Egypt's LCY curve, which will support the Pound. We also expect the extended bearish run of the EGP to improve export competitiveness over time and set the tone for fast-paced reserve accumulation and the external resilience required to anchor the Pound's stability over the long haul.

SSA: Snapshot of Benchmark 91-day Yields			
Country	Current week (%)	Previous Week (%)	w/w Change (%)
Nigeria	6.00%	5.50%	0.00%
South Africa	6.48%	6.56%	0.16%
Uganda	10.33%	11.10%	-0.32%
Egypt	21.30%	18.33%	0.37%
Kenya	10.00%	9.37%	0.10%
Tanzania	4.00%	3.00%	0.00%

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