

April 17, 2023

Ghana Market Review

Summary of the April 2023 Investor Presentation: Ghana's Finance Minister, Hon. Ken Ofori Atta, held a Webcast last week on the sidelines of the just-ended IMF/WB Spring Meeting in Washinton, DC, to update investors. The Minister announced some ambitious macroeconomic targets over the medium term, headlined by the plan to run a surplus of 1.5% of GDP over the medium term, requiring a fiscal adjustment effort equivalent to 5% of GDP. Additionally, the government is targeting revenue growth equal to 18.5% of GDP in 2023 (from 15.5% in 2022), inflation below 8% over the medium term, restoring external buffers with reserves covering ≥3 months of import, GDP growth of 5% over the medium term, and enhancing competitiveness with exports exceeding 37% of GDP over the medium term.

The Minister indicated that the Domestic Debt Exchange (DDEP) yielded a 10% compression in coupon rates from 19.1% to 9.1%, an average tenor extension of 4.5 years (from 3.8 years to 8.3 years) and about GH¢34 billion in interest savings for 2023. More instructively, the Minister hinted that these gains constitute only the first leg of DDEP with a further GH¢122.5 billion comprising holdings of pension funds, cocoa bills, US\$ local bonds, LCY loans and BoG non-marketable debts. This figure excludes budget and IPP arrears estimated at GH¢34.9 billion in the DSA and about US\$1 billion equivalent of Special Drawing Rights (SDRs) on-lent to the government. On engagements with external creditors, the Minister indicated the Official Creditor Committee would be in place by the end of April-2023, and the Committee is expected to deliver the much-needed financing assurance in time for the IMF Executive Board's approval of the programme by May 2023. After that, the GoG's negotiating team continues negotiations with official and commercial creditors towards restructuring of about US\$20bn of bilateral and commercial debts (66% of external debt).

We believe the Ghanaian team has made considerable progress with the prior actions for the IMF programme. However, restoring debt sustainability to the 55% of GDP threshold of 55% of GDP by 202 will require a more successful external debt restructuring (relative to the DDEP) and more profound fiscal adjustments.

Cedi Pared some gains last week amidst surging demand: The Cedi's 3-week rally, which wiped out its losses vs the USD at some point, ended abruptly following a surge in FX demand last week. The retreat was sharp, with the local unit ceding 9.1% w/w to the USD (-1.2% YTD). The Cedi also lost 8.3% and 9% to the Euro and the GBP, respectively, on the retail market last week, continuing the volatile trend of the Cedi thus far in 2023. Fundamentally, the Cedi remains vulnerable, and the erratic sentiments around the progress with the IMF programme and debt restructuring conversations could sustain the Cedi's volatile run in the interim.

GHS liquidity levels are steady, but T-bill yield performance was mixed: The Treasury accepted all the GH¢1.791 bids tendered last week, just enough to cover the auction target. However, the uptake exceeded the rollover obligation falling due today, April 17, 2023, by 13%. Despite the 2% increase in the Cash Reserve Ratio (CRR) to 14% effective April 13, 2023, the interbank market remains liquid, with the interbank interest rate unchanged since the 150bps increase in the policy rate. Regardless, the 91-day and 182-day bills crept higher at 19.74% (+5bps w/w) and 22.47% (22bps w/w), with the 364-day bill rate clearing 4bps lower at 26.92%.

Secondary market Activity: We recorded another dull secondary bonds market session last week with a paltry two trades in 2027, and the 2037 tenors valued at GH¢23 mn (-90.33% w/w) traded at prices around par. However, the volume of bills traded increased by 50.9% to GH¢717 mn.

T-bill auction in the week ahead: The next T-bill auction slated for Friday, April 21, 2023, will target a gross issuance of GH¢1.958 to roll over a maturing face value worth GH¢1.866 billion next week. We do not envisage significant oversubscriptions in the next few T-bill auctions, with the clearing yields at the upcoming auction potentially printing slightly higher.

Cedi Performance Against Major Currencies					
GHS¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	10.94	13.59	12.02	0.08	1.59
W/W change	-0.09%	0.05%	-0.65%	1.34%	-0.16%
YTD Change	-21.6%	-24.12%	-23.9%	-20.76%	-22.2%
Indicative retail rate	12.10	15.05	13.30	1.61	0.08
W/W change	-9.1%	-8.3%	-9.0%	-3.1%	-1.9%
YTD change	-1.2%	-4.7%	-5.3%	-12.6%	-11.7%

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%
Mar-23 Inflation	45%	52.80%	-7.80%
1-Yr Average Inflation	40%	37.88%	+2.12%
MPR (%)	29.50%	28.00%	+150bps
Real MPR	-15.5%	-23.30%	- 7.8%
GRR (%)	25.76%	32.91%	-7.15%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	19.74%	19.69%	0.05%	-14.5%
182-day	22.47%	22.25%	0.22%	-12.50%
364-day	26.92%	26.96%	-0.04%	-9.30%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	1,791.58	1,883.02	-5%
Issuance (GH¢'M)	1,791.58	1,855.90	-3%
Target (GH¢'M)	1,767	1,767	0%
Maturity (GH¢'M)	1,587.27	1,684.59	-6%
Target coverage ratio	1.01x	1.05x	n/a
Maturity coverage ratio	1.13x	1.10x	n/a
Bid/Cover ratio	1.00x	1.015x	n/a

The Week Ahead			
Issuance Target - T-bills (GH¢'Bn)	1,958	1,666	+17.53% w/w
Maturity -T-bills (GH¢'Bn)	1,865.58	1,587.27	+17.53% w/w

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.023	0.2378	-90.33% w/w
Turnover – Notes & Bills GH¢'Bn	0.717	0.4753	+50.9% 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-	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%

Other African Markets Review

Kenya: Timely FX liquidity boost to ease concerns about an imminent default.

The government of Kenya expects about US\$1.47 billion from various sources by May 2023. With the continuous tightening of global financing conditions, the elevated fiscal stress, the debt overhang, and the multiple risk-off-events, most African Sovereigns, including Kenya, were frozen out of the International Capital Market.

As an alternative to close the financing gap, the government has arranged about US\$250 mn in syndicated loans, with disbursement due later this month (April 2023). The government has also sourced a further US\$1 bn budgetary support from the World Bank due in May 2023, while an IMF staff visit is scheduled for May 2023 to conduct the fifth review under the current programme. Completing the 5th review is expected to trigger the disbursement of an additional 163 million SDRs (about US\$220 million). The IMF team will also use the visit to advance negotiations with the Kenyan authorities about the additional loan request under the Resilience and Sustainability Trust (RST).

Kenya's gross FX reserves stood at US\$6.4 bn at the start of April 2023, covering 3.6 months of imports. With the reserve cover falling below the minimum threshold of 4 months of imports, these imminent inflows are a timely boost to Kenya's external balances. We expect these anticipated inflows and the additional loan from the IMF to ease immediate concerns about a near-term default and anchor currency stability in the near term.

Ghana Economic Events Calendar for April-2023		
Event	Due date	Expectations
March 2023 CPI	April 12, 2023	Inflation to continue the decline
BDCs forward auction	13 th April 2023	BoG expected to forward sell US\$20 million to BDCs
2023 IMF/WB Spring Meetings	April 10 -16, 2023	Updated global forecasts, fiscal monitor and regional economic outlook.
March 2023 PPI	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
BDCs forward auction	27 th April 2023	BoG expected to forward sell US\$20 million to BDCs

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	34.02	-1.05%	38.63	-0.74%
Kenya	134.35	-0.78%	148.52	-1.77%	168.23	-1.14%
Nigeria	460.43	-0.02%	503.02	0.14%	571.30	0.53%
S. Africa	18.11	0.25%	20.04	-1.24%	22.67	-0.21%
Tanzania	2312.39	-0.02%	2547.33	-0.61%	2892.33	-0.32%
Uganda	3729.08	0.36%	4128.84	-1.21%	4676.26	-0.35%
Zambia	15.42	8.33%	20.11	6.96%	22.75	7.86%

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%	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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