

May 08, 2023

### Ghana Market Review

**Inflation for Apr-2023 to record another sharp drop:** Ahead of releasing the year-on-year inflation print for April 2023, we expect another significant drop in CPI inflation, extending the disinflation process through 4 months of 2023.

The Apr-2023 inflation data window saw a sharp correction of the Cedi, easing petroleum prices at the pumps and easing price pressures across both the food and non-food baskets. We expect these favourable price effects and the favourable base pull to trigger another sharp drop in headline inflation to around the 36% level, all things equal, with the deflation trend for the month-on-month headline, food, and non-food inflation also set to continue in Apr-2023.

While the numbers for core inflation for Apr-2023 are not yet published, we expect core inflation to be easing alongside the headline number as the passthrough effects of the volatile items in the inflation basket wane. We note, however, that the price effects of the new revenue measures that took effect on May 1, 2023, could stoke some inflationary pressures as pricing agents adjust general price levels to reflect the new and revised taxes. However, we expect the favourable base pull and the easing price pressures from the volatile items to moderate the impact of the new revenue measures and sustain the disinflationary trend. Thus, the Monetary Policy Committee could hold the policy rate at 29.5% at its next meeting later in May 2023 following the improving inflation outlook. We expect this declining trend in inflation to exert some downward pressure on nominal money market yields once the IMF deal is secured.

**Cedi gains 0.4% vs the US\$ on the retail market w/w:** The Cedi recorded a mixed performance against the major trading currencies on the retail and the interbank market segments last week. While the local unit recorded an appreciation of 0.4% w/w vs the USD on the interbank market, it closed flat against the Euro and ceded 0.3% to the GBP at the week's close. On the interbank market, the USDGHS pair closed flat w/w, but the local unit gained 0.16% against the Euro but closed 0.49% weaker vs the GBP.

Last week's performance extends the run of Cedi volatility against the major trading currencies amidst the fundamental weaknesses that have left Cedi vulnerable to external shocks. However, the gross FX reserve is set to receive a boost from the proceeds of the seven (7) loans approved by the Parliament of Ghana at an emergency meeting last week, totalling US\$710 million. In the meantime, the volatile run could persist pending progress with the IMF.

**T-bill yields increased despite oversubscription:** Last week's T-bill auction attracted total demand worth GH¢2.57bn, which exceeded the offer target by 40% (+24% w/w). The Treasury accepted almost all the bids, exceeding the refinancing obligation for the week by 47%. Despite the pronounced oversubscription, yields climbed higher at the auction. The 91-day bill cleared 31bps higher at 20.26%, while the 183 & 364-day bills closed 12bps and 10bps higher to 22.83% and 27.36%, respectively.

**Secondary market Activity:** The GFIM recorded 35 trades in the new and old bonds last week, translating into an aggregate turnover of GH¢410 million (+145.8% w/w). The new bonds dominated activity accounting for 97.3% of the total volume traded last week, trading at an average price of nearly 4% discount to par.

**T-bill auction in the week ahead:** The Treasury will target a gross issuance of GH¢3.33 billion at the next auction slated for May 12, 2023, across the 91-day to 364-day bills. The proceeds will go into rolling over upcoming maturities worth GH¢3.17 billion. While we expect a further dip in inflation later this week, T-bill yields could continue higher as the sizeable need for funds amidst relatively tighter liquidity conditions influence pricing behaviour.

Cedi Performance Against Major Currencies						
	GHS¢	US\$	GB£	€	JP¥	CN¥
<b>Interbank Ref. rate</b>		10.95	13.83	12.07	0.08	1.58
<b>W/W change</b>		0.00%	-0.49%	0.16%	-0.86%	-0.03%
<b>YTD Change</b>		-21.7%	-25.44%	-24.2%	-20.07%	-21.7%
<b>Indicative retail rate</b>		12.15	15.20	13.40	1.70	0.09
<b>W/W change</b>		0.4%	-0.3%	0.0%	0.3%	1.2%
<b>YTD change</b>		-1.6%	-5.6%	-6.0%	-17.2%	-15.7%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	25.94%	25.87%	0.07%
Mar-23 Inflation	45%	45%	-7.80%
1-Yr Average Inflation	40%	40%	+2.12%
MPR (%)	29.50%	29.50%	+150bps
Real MPR	-15.5%	-15.5%	- 7.8%
GRR (%)	26.45%	25.76%	+0.69%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	20.26%	19.95%	0.31%	-14.10%
182-day	22.83%	22.71%	0.12%	-12.26%
364-day	27.36%	27.26%	0.10%	-9.27%

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The Ghana Market Summary			
	Current	Previous	Change
<b>Bid (GH¢'M)</b>	2,567.81	2,068.31	24%
<b>Issuance (GH¢'M)</b>	2,567.79	2,067.20	24%
<b>Target (GH¢'M)</b>	1,834	1,585	16%
<b>Maturity (GH¢'M)</b>	1,746.19	1,909.85	-9%
<b>Target coverage ratio</b>	1.40x	1.30	n/a
<b>Maturity coverage ratio</b>	1.47x	1.37	n/a
<b>Bid/Cover ratio</b>	1.00x	1.00	n/a

The Week Ahead			
<b>Issuance Target - T-bills (GH¢'mn)</b>	3,333.0	1,834	81.73%
<b>Maturity -T-bills (GH¢'Bn)</b>	3,171.82	1,746.19	81.64%

Secondary Market Activity			
<b>Turnover – Bonds GH¢'Bn</b>	0.410	0.167	145.84%
<b>Turnover – Notes &amp; Bills GH¢'Bn</b>	0.513	0.728	-29.52%

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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 RD/CA/SD	GHA 7% 08/07/23	44.7	55.15	420.16%	276.2%
	GHA 8% 05/07/42	34.38	35.98	26.194%	26.09%
	GHA8% 03/11/61	33.2	35.45	24.30%	22.87%
Egypt B+/B3/B	EGPT 4.55 11/20/23	81.1	82.03	22.052%	21.19%
	EGPT 6% 04/30/40	50.48	52.09	14.997%	14.55%
	EGPT 7% 02/16/61	49.51	50.65	15.199%	14.86%
Kenya B/B2/B	KENINT 6% 6/24/24	85.923	87.434	21.38%	19.66%
	KENINT 6.3 1/23/34	64.635	66.04	12.33%	12.01%
	KENINT 8% 2/28/48	65.94	67.67	12.823%	12.50%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	98.68	99782	13.204%	7.37%
	NGERIA 7% 9/28/33	68.58	69.73	12.954%	12.69%
	NGERIA 8% 9/28/51	64.74	65.96	12.946%	12.71%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.89	99.27	6.27%	5.73%
	SOAF 5 10/12/46	67.28	68.43	7.926%	7.775%
	SOAF 7.3 04/20/52	85.31	86.04	8.70%	8.63%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	96.41	97.96	8.52%	7.13%
	IVYCST 6% 06/15/33	83.58	85.01	8.58%	8.35%
	IVYCST 6% 03/22/48	67.01	68.15	10.36%	10.81%

## Other African Markets Review

### Kenya: IMF Chief's Vote of confidence spurred Kenya's Sovereign Debts to a Rally

The Kenyan authorities received a vote of confidence from the Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva, last week on the progress of economic reform under the programme supported by the Extended Fund Facility (EFF). The commendation follows a meeting with the Kenyan President. The IMF Managing Director was left "impressed by the vigorous actions to keep the economy vibrant in the face of pronounced external headwinds", expressing readiness to support Kenya. The statement lifted Kenya's sovereign bonds, which were otherwise on a bearish run as the weaker FX reserves spark concerns about external debt servicing capacity in the near term.

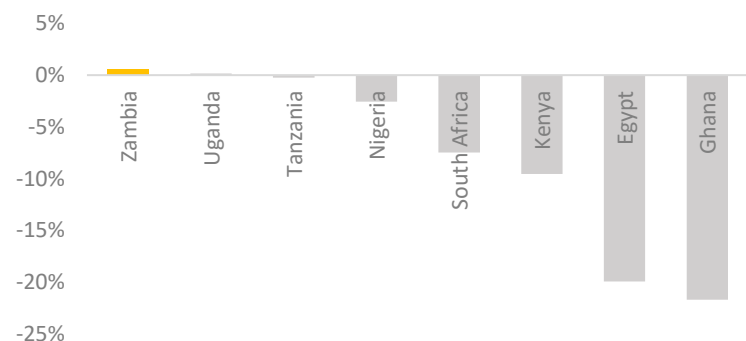
In a separate development, the Kenyan Treasury signalled its intention to increase reliance on domestic financing to plug the budget deficit amidst the unfavourable external financing conditions by raising its net domestic financing requirements in the 2023/23 fiscal year by 24% to Ksh532 billion (US\$3.9 billion). While the increased domestic borrowing requirement is necessary to offset dwindling external financing, local market conditions are equally bearish. The increased domestic financing target amidst the prevailing high-interest environment could elevate the sovereign's cost of funds. At the same time, investors' short-term view of the market may not support the sizeable domestic financing needs. We reckon that Kenya may have to depend more on concessional financing in the 2023-24 fiscal year to offset potential domestic and external risks to financing the deficit.

Ghana Economic Events Calendar for May-2023		
Event	Due date	Expectations
May-2023 CPI	10 <sup>th</sup> May 2023	Headline inflation to drop again
BDCs FX Auction	May 12, 2023	BoG expected to forward sell US\$20
May 2023 PPI	May 17, 2023	PPI to continue the decline
MPC Meeting	May 17 – 19, 2023	MPR could be held at 29.5%
MPC Press Conf.	May 22, 2023	MPR could be held at 29.5%
BDCs FX auction	30 <sup>th</sup> May 2023	BoG expected to forward sell US\$20

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	34.03	0.03%	39.05	-0.55%
Kenya	136.40	-0.88%	150.40	-0.45%	171.43	-1.20%
Nigeria	460.37	0.00%	510.00	-0.54%	579.19	-0.99%
S. Africa	18.35	0.41%	20.24	-0.02%	23.14	-0.81%
Tanzania	2314.41	-0.04%	2551.75	-0.15%	2907.47	-0.94%
Uganda	3719.25	0.43%	4104.19	0.22%	3719.25	25.28%
Zambia	15.42	-1.29%	19.73	-1.08%	22.60	-2.29%

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	5.30%	5.50%	0.00%
South Africa	6.48%	6.56%	0.00%
Uganda	10.33%	11.10%	0.00%
Egypt	22.18%	18.33%	0.00%
Kenya	10.38%	9.37%	0.11%
Tanzania	4.00%	3.00%	0.00%
Zambia	10.00%	10.00%	-0.01%

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