

May 15, 2023

Ghana Market Review

Ghana Secures Financing Assurance from official creditors: Ghana's official creditors issued a communique late last week that granted financing assurances for the government's request for debt treatment under the G20 Common Framework for debt treatment beyond Debt Service Suspension Initiative (DSSI).

The financing assurance represents a significant milestone as it completes the prior actions required to secure the IMF Executive Board's approval for the US\$3 billion, 3-year programme supported by the extended Credit Facility. Following the assurance, we expect the IMF Executive Board to approve Ghana's request in the coming days, which will formally kickstart the 3-Year programme and the associated economic and structural reforms. We expect an immediate disbursement of about US\$600 million under the programme towards Balance of Payments (BoP) support upon approval. The authorities will now focus on negotiating terms and parameters of external debt treatment under the Common Framework.

Given the scale of the fiscal imbalance and the scope of adjustment needed to restore debt sustainability to 55% of GDP by the 2028 timeline, the government will be aiming for very favourable terms, which will apply to Eurobond and other commercial creditors who hold a larger proportion of the total external debt. The programme's official start will also unlock concessional funding sources from Multilateral Development Banks (MDBs) and other development partners in the months ahead, consistent with the 2023 budget financing provisions. We expect the concessional financing options to reduce the over-reliance on short-term financing from the money market, potentially setting the tone for the decline in money market yields in 2H2023.

Cedi set for a corrective run from the imminent BoP support: The immediate disbursement of about US\$600 million envisaged under the IMF programme upon the Executive Board's approval will prove a timely boost to Ghana's Balance of Payments position and the gross FX reserve in the coming weeks. We expect the disbursement under the ECF, together with other anticipated flows, including about US\$1 billion facility from the world bank (spread over three years and tied to the IMF programme) and the recent loan approvals totalling US\$710 million approved in May-2023 to bring some temporary respite to anchor the Cedi's resilience.

The Cedi was broadly resilient against the major trading currencies last week, recording appreciation vs the USD, the Euro and the GBP on the retail market. With the Executive Board's approval imminent, the local unit opened the week on a solid note, and we expect the corrective run to continue in the week ahead.

The T-bill auction was undersubscribed by 16.5%: Investor demand at the last T-bill auction underwhelmed relative to the target, with the GH¢2.78 billion worth of bids received falling 16.5% short of the target. The Treasury accepted 99.96% of the bids received, which fell short of the T-bill refinancing obligation for the week by 12%. We recorded a marginal uptick in yields, with the 91-day, 182-day and 364-day yields clearing 17bps, 13bps and 23bps higher to 20.43%, 22.96% and 27.59%, respectively.

Secondary market Activity: Activity dipped on the secondary bonds market again last week with an aggregate turnover of GH¢38n million across the old and new bonds. Turnover for T-bills, however, increased by 66.9% w/w to GH¢856 million.

T-bill auction in the week ahead: The Treasury is targeting GH¢2.73 billion at the next T-bill auction across the 91&182-day tenors to roll over upcoming maturities worth about GH¢2.6 billion. With the significant size and the higher-yielding 56-day OMO bill option for banks, we envisage another marginal uptick in T-bill yields.

Cedi Performance Against Major Currencies					
GHS¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	10.96	13.66	11.90	0.08	1.58
W/W change	-0.12%	1.27%	1.40%	0.50%	0.53%
YTD Change	-21.8%	-24.50%	-23.2%	-19.68%	-21.3%
Indicative retail rate	12.05	15.05	13.15	1.68	0.09
W/W change	0.8%	1.0%	1.9%	1.2%	1.9%
YTD change	-0.8%	-4.7%	-4.2%	-16.2%	-14.1%

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%
April-23 Inflation	41.2%	45%	-3.80%
1-Yr Average Inflation	41.48%	40%	+1.48%
MPR (%)	29.50%	29.50%	+150bps
Real MPR	-11.7%	-15.5%	+3.8%
GRR (%)	26.45%	25.76%	+0.69%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	20.43%	20.26%	0.17%	-14.27%
182-day	22.96%	22.83%	0.13%	-12.47%
364-day	27.59%	27.36%	0.23%	-9.17%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,782.44	2,567.81	8%
Issuance (GH¢'M)	2,781.38	2,567.79	8%
Target (GH¢'M)	3,333	1,834	82%
Maturity (GH¢'M)	3,171.82	1,746.19	82%
Target coverage ratio	0.83x	1.40x	n/a
Maturity coverage ratio	0.88x	1.47x	n/a
Bid/Cover ratio	1.0004x	1.00x	n/a

The Week Ahead			
Issuance Target - T-bills (GH¢'mn)	2,732	3,333	-18.03%
Maturity -T-bills (GH¢'Bn)	2,598.46	3,171.82	-18.08%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.038	0.410	-907.3%
Turnover – Notes & Bills GH¢'Bn	0.856	0.513	+66.86%

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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

South Africa: Rand Plummets on Allegations of support for Russia

The Rand plummeted to a record low against the major trading currencies at the close of trading last week, largely due to allegations about South Africa's support for its BRICs ally, Russia, and lingering concerns about the severe power cuts.

The US envoy to South Africa alleged that a Russian ship had picked up weapons in South Africa in December 2022, in a possible breach of South Africa's stated position of neutrality in the Russia-Ukraine conflict. If proven to be true, the allegations could trigger sanctions against South Africa, further undermining the Rand, rekindling inflation, and further stifling the weak growth pulse. Already, investor confidence is fragile, and the Rand remains volatile, with the re-emerging inflation risks set to extend the Monetary Policy Committee's tight policy stance. Thus, the growth outlook for 2023 is dim amidst the pronounced power supply shocks, leaving the economy vulnerable to shocks in the near term.

Kenya: Moody's Downgrade IDR to B3 Amidst Tightening Domestic Funding

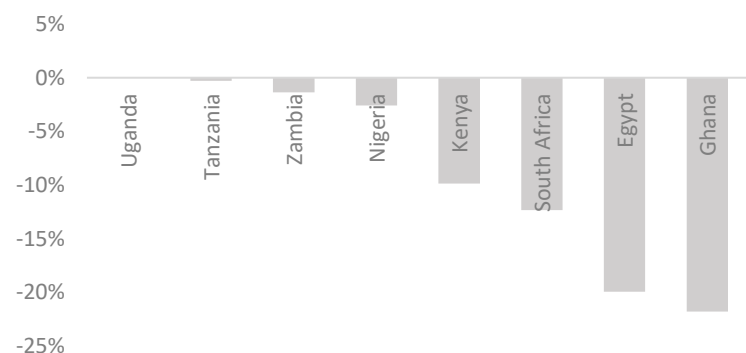
Moody's rating agency downgraded Kenya's Long-Term Foreign and Local Currency Issuer Default Risk (IDR) to B3 (from B2), citing increased government liquidity risk. Kenya's domestic financing conditions appear to have deteriorated considerably in 2023, with the pronounced financing gap leading to delays in budget execution amidst the generally unfavourable external financing conditions. With the constrained external financing options, Moody's has placed Kenya on review for further downgrade, and we expect spikes in Kenya's sovereign yields in the weeks ahead. The authorities may explore concessional funding options to meet external service obligations as the external market remain inaccessible.

Ghana Economic Events Calendar for May-2023		
Event	Due date	Expectations
May-2023 CPI	10 th 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 th May 2023	BoG expected to forward sell US\$20

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.51	1.56%	38.48	1.48%
Kenya	136.88	-0.35%	149.36	0.70%	171.55	-0.07%
Nigeria	460.53	-0.03%	579.99	-12.1%	503.59	15.01%
S. Africa	19.38	-5.28%	21.14	-4.28%	24.28	-4.72%
Tanzania	2315.59	-0.05%	2533.03	0.74%	2918.22	-0.37%
Uganda	3722.92	-0.10%	4065.48	-8.52%	4656.58	-12.69%
Zambia	15.42	-1.96%	19.95	-1.10%	22.92	-1.40%

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	4.50%	5.50%	-0.80%
South Africa	6.48%	6.56%	0.03%
Uganda	10.33%	11.10%	0.00%
Egypt	23.01%	18.33%	0.83%
Kenya	10.41%	9.37%	0.03%
Tanzania	4.00%	3.00%	0.00%
Zambia	9.76%	10.00%	-0.24%

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