

May 02, 2023

Ghana Market Review

World Bank paid US\$50mn to Ghana 2030 Eurobond Holders: Holders of Ghana's 2030 Eurobond maturity (coupon:10.75%) with a US\$400mn partial guarantee from the World Bank received coupon payment that fell due on April 14, 2023, from the International Development Association (IDA).

The government of Ghana suspended interest payments on selected external debts (including Eurobonds) in Dec-22 amidst pronounced FX liquidity challenges and has since defaulted on multiple Eurobond obligations. The coupon obligation on the 2030 paper thus kicked in the partial guarantee, with a World Bank spokesperson confirming a total coupon payment of about US\$50mn to investors. Thus, the Sovereign remains in Selective Default (SD) on its Foreign Currency bonds and is firmly shut out of the international Capital market.

With the Sovereign also missing coupon payments on some LCY currency debts post-DDEP, Fitch Ratings lowered the Long-Term Local Currency Issuer Default Rating (IDR) to Restricted Default last week (from the CCC rating issued in Mar-2023). While the government has published a schedule for coupon payments on the old bonds held by investors, strained public finances and the delayed interest payments continue to drive uncertainty, underpinning the rating downgrade. Given the prevailing fiscal tightness, challenges with debt service could linger until the government pushes through the second leg of the domestic debt restructuring.

Cedi regains relative stability on the interbank and retail markets: The Cedi snapped a bearish run that extended over a fortnight to relative stability across the retail and interbank reference FX markets last week. Our indicative retail market rate shows the USDGHS and the EUROGHS pairs were unchanged last week and recorded an appreciation on the interbank market.

Overall, the Cedi closed in April 2023 with a net depreciation of 2% on the retail market and 21.7% on the interbank market. Though volatile, the Cedi has shown relative resilience thus far in 2023 amidst significantly weak external fundamentals. We believe the external debt service suspension in Dec-2022 and the slowdown in portfolio reversals due to inactivity in the secondary bond market underpin Cedi's relative resilience. With the IMF Executive Board's approval still pending, the BoP vulnerabilities remain pronounced, which could fuel uncertainty and drive volatility on the market.

T-bill yields increased despite oversubscription: Investors oversubscribed last week's auction of 91&182-day T-bills by 30.5%, with the Treasury accepting GH¢2.067bn (99.94% of the bids). The uptake exceeded the auction target by 30% and the refinancing obligation for the week by 37%. Despite the significant oversubscription, yields continued marginally higher, with the 91-day and 182-day bills printing 19.95% (+8bps w/w) and 22.71% (13bps w/w).

Secondary market Activity: The secondary bonds market remains dormant, with limited activity in both the new and old bonds. Investors moved an aggregate volume of bonds worth GH¢167 million last week (+624.9% w/w) and a further GH¢728mn of T-bills traded during the week. We expect the secondary market activity to increase as pricing mechanics and market sentiments improve steadily.

T-bill auction in the week ahead: The Treasury will target a gross issuance of GH¢1.83bn at the next auction slated for May 5, 2023, across the 91-day, 182-day and 364-day bills. We expect investor demand to remain firm, with yields printing slightly higher.

Cedi Performance Against Major Currencies						
	GHS¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	10.95	13.76	12.09	0.08	1.58	
W/W change	0.39%	-1.32%	-0.61%	1.24%	0.23%	
YTD Change	-21.7%	-25.1%	-24.3%	-19.38%	-21.7%	
Indicative retail rate	12.20	15.15	13.40	1.71	0.09	
W/W change	0.0%	-0.7%	0.0%	0.4%	-0.8%	
YTD change	-2.0%	-5.3%	-6.0%	-17.5%	-16.7%	

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 (%)	25.76%	25.76%	-7.15%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	19.95%	19.86%	0.08%	19.95%
182-day	22.71%	22.58%	0.13%	22.71%
364-day	27.26%	27.26%	0.00%	27.26%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,068.31	2,537.98	-19%
Issuance (GH¢'M)	2,067.20	2,530.92	-18%
Target (GH¢'M)	1,585	1,958	-19%
Maturity (GH¢'M)	1,509.85	1,865.58	-19%
Target coverage ratio	1.30x	1.29x	n/a
Maturity coverage ratio	1.37x	1.36x	n/a
Bid/Cover ratio	1.0005x	1.00x	n/a

The Week Ahead			
Issuance Target - T-bills (GH¢'mn)	1,834	1,958	-6.33%
Maturity -T-bills (GH¢'Bn)	1,746.19	1,865.58	-6.40%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.167	0.023	624.90%
Turnover – Notes & Bills GH¢'Bn	0.728	0.717	1.46%

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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: Inflation eases to within 40bps of the upper target band in Apr-2023

Kenya's headline inflation dropped to 7.9% y/y in April 2023 (from 9.2% in Mar-23), continuing the disinflationary run that started in Nov-2022. According to data from the National Bureau of Statistics, inflation eased to a 13-month low at 10.1% in April 2023 (from 13.4% in Mar-2023) amidst easing inflationary pressures from the transport and other sub-groups of the inflation basket. With this continuing disinflation process, headline inflation has softened to within 40bps of the upper inflation target band of 7.5%, down from the peak of 9.6% in Oct-2022. Despite the emerging upside price pressures, the disinflation run appears anchored. With inflation now near the medium-term target band, the Monetary Policy Committee (MPC) could hold the policy rate at the next meeting to support growth after the surprise 75bps increase in the policy rate in Mar-2023.

Egypt: PM assures investors of continuous external debt service

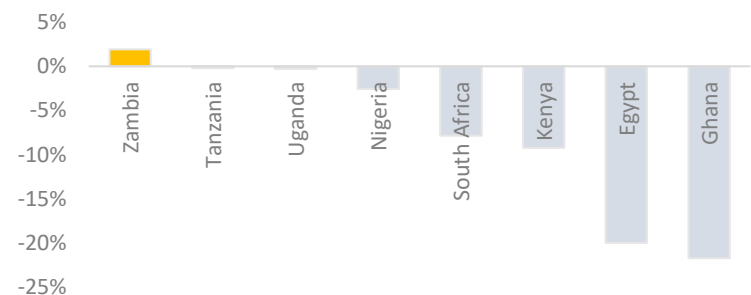
Prime Minister Mostafa Madbouly, in a public address last week, reassured investors of Egypt's commitment to honour all its external debt service obligations. The assurance was in response to growing concerns about Egypt's debt affordability following the S&Ps review of the economic outlook to negative and the elevated currency pressures. Progress on the structural reforms under the Extended Fund Facility has been relatively slow, which has delayed additional concessional financing from development partners. Consequently, the Pound is under pressure which could trigger yet another devaluation. While the assurance is welcome, we expect investors to remain bearish on Egypt amidst the near-term uncertainties.

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%	34.04	-0.83%	38.84	-1.35%
Kenya	135.20	-0.01%	149.72	-1.04%	169.37	-0.64%
Nigeria	460.37	0.03%	507.24	-0.73%	573.44	-0.33%
S. Africa	18.43	-1.80%	20.23	-1.99%	22.95	-2.15%
Tanzania	2,313.46	-0.02%	2,547.82	-0.40%	2,880.03	-0.03%
Uganda	3,735.08	0.14%	4,113.07	-0.16%	4,659.51	-0.26%
Zambia	15.42	-1.59%	19.52	-1.76%	22.08	-1.84%

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%	-0.70%
South Africa	6.48%	6.56%	0.00%
Uganda	10.33%	11.10%	0.00%
Egypt	22.18%	18.33%	0.33%
Kenya	10.28%	9.37%	0.12%
Tanzania	4.00%	3.00%	0.00%
Zambia	10.01%	10.00%	0.00%

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