

June 5, 2023

### Ghana Market Review

**Treasury engaging ahead of rolling out the second leg of DDEP:** The government of Ghana is negotiating with pension trustees and the labour unions to exchange about GH¢29.2bn old bonds held by the pensions industry and exempted under the initial DDEP for new bonds.

While negotiations are ongoing and the offer memorandum is not yet public, it appears the pension trustees will insist on maintaining value and hold out for terms that preserve the value of their pre-DDEP exposure. Thus, the proposed exchange may accommodate an extended tenor, with the offer potentially structured at terms that are, at least, comparable to the original financial terms of the eligible bonds.

We expect the restructuring of the GH¢8.1bn outstanding balance on Cocoa bills and about GH¢77bn debt held by the Bank of Ghana to follow, which will complete the domestic debt exchange. The Independent Power Producers (IPPs) are holding out to be excluded from the DDEP and have threatened a shutdown of the thermal plants if payments delay (IPPs account for 65% of the power generation mix).

**The current account records a surplus but with a caveat:** Despite recording a mixed performance on Ghana's main export commodities, the merchandise trade balance closed in a healthy surplus in the first four months of 2023. The external sector developments over the four months show a 3.6% y/y decline in export receipts to US\$5.65bn. While Gold and Cocoa receipts increased by 15.9% and 30.5%, respectively, due to the combination of higher price and output effects, oil receipts declined by 36.7% due to lower price and production volumes.

Regardless, the trade balance closed the period with a surplus of US\$1.6bn (+38.8% y/y | 2.2% of GDP) due to a sharper decline in import bills. The total import bill declined by 13.94% y/y in Apr-2023, thanks to a slowdown in oil and non-oil imports. The non-oil imports bill declined due to the general economic downturn, heightened global inflation pressure and the price effects of Cedi depreciation, with lower oil and gas prices also reducing the petroleum import bills. The improved trade balances, lower investment income payments, high remittances and improved service account balances lifted the Current Account (C/A) to a surplus of US\$661 mn (+219% y/y | 0.9% of GDP) in Q1 2023. We believe this improved C/A position underpins the Cedi's relative resilience thus far in 2023. However, the C/A and the overall BoP position remain vulnerable as the suspended external debt service payments have created arrears that could undermine the current account.

The local unit closed last week on the back foot versus the major currencies on the retail market, ceding 0.4% to the greenback w/w. With the demand forces showings signs of ebbing, the local unit could regain relative stability over the coming week.

**T-Bill yields continue the ascent despite the 29.5% oversubscription last week:** We recorded a 28.9% oversubscription at last week's T-bill auction relative to the issuance target. The Treasury received total bids for the 91-day and 182-day bills estimated at GH¢2.68 bn (vs target: GH¢2.082bn), accepting 99.85% of the bids tendered, which exceeded the refinancing obligation for the week by 35%. Again, nominal yields climbed higher at the auction, with the 91-day breaching 21% (21.19% | +36bps w/w), while the 182-day bills also climbed 32bps w/w to 23.94%.

**Secondary market Activity:** Activity dipped again in the secondary bonds market last week, with a paltry GH¢79 mn worth of bonds exchanging hands. The new bonds dominated activity, with most trades closing around the 97% to 99.8% price range. Together with bills, the aggregate turnover for the week was GH¢995 mn.

**T-bill auction in the week ahead:** The next T-bill issuance is slated for Friday, June 9, 2023, and will target a gross issuance of GH¢2.63 bn across the 91-day to 364-day bills against the refinancing obligation of GH¢2.498Bn due on June 12, 2023. Given the sizeable refinancing obligation and the uncertain market dynamics, we expect nominal yields to continue drifting higher.

### Cedi Performance Against Major Currencies

GHSC	US\$	GB£	€	JP¥	CN¥
<b>Interbank Ref. rate</b>	10.97	13.69	11.77	0.08	1.55
<b>W/W change</b>	0.04%	-1.09%	-0.12%	-0.64%	0.31%
<b>YTD Change</b>	-21.8%	-24.65%	-22.3%	-17.43%	-20.0%
<b>Indicative retail rate</b>	12.15	15.05	13.10	1.58	0.08
<b>W/W change</b>	-0.4%	-3.7%	-0.8%	-1.9%	-3.2%
<b>YTD change</b>	-1.6%	-4.7%	-3.8%	-11.1%	-9.0%

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	21.16%	20.80%	0.36%	-14.45%
182-day	23.94%	23.62%	0.32%	-12.45%
364-day	28.02%	27.59%	0.43%	-9.34%

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### The Ghana Market Summary

	Current	Previous	Change
<b>Bid (GH¢'M)</b>	2,684.36	3,183.54	-16%
<b>Issuance (GH¢'M)</b>	2,680.46	3,183.51	-16%
<b>Target (GH¢'M)</b>	2,082	3,431	-39%
<b>Maturity (GH¢'M)</b>	1,978.79	3,263.02	-39%
<b>Target coverage ratio</b>	1.29x	0.93x	n/a
<b>Maturity coverage ratio</b>	1.35x	0.98x	n/a
<b>Bid/Cover ratio</b>	1.002x	1.00x	n/a

### The Week Ahead

<b>Issuance Target - T-bills (GH¢'mn)</b>	2,631	2,082	26.37%
<b>Maturity -T-bills (GH¢'Bn)</b>	2,498	1,978.80	26.24%

### Secondary Market Activity

<b>Turnover – Bonds GH¢'Bn</b>	0.079	0.282	-71.99%
<b>Turnover – Notes &amp; Bills GH¢'Bn</b>	0.916	0.893	2.57%

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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	52.94	54.17	524.66%	499.4%
	GHA 8% 05/07/42	38.21	39.48	21.947%	21.33%
	GHA8% 03/11/61	37.97	39.41	21.832%	21.08%
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	99.47	100.46	11.446	10.71%
	NGERIA 7% 9/28/33	74.89	76	11.61%	11.38%
	NGERIA 8% 9/28/51	69.53	70.56	12.06%	11.88%
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

### Nigeria: The Dawn of a New Era as President Tinubu Promises to Jumpstart the Nigerian Economy.

The newly elected President, Bola Tinubu, was inaugurated into office last week, succeeding former president Muhammadu Buhari who ended his eight-year reign.

The new administration takes over against the backdrop of slow growth, record debt levels, two-decade-high inflation, volatile and misaligned FX market, and security threats. The president promised an economic reboot along with some market-friendly policies. Among the bold promises, the new administration targets an average annual GDP growth rate of 6% and a significant reduction in unemployment. The president also promised to phase out the popular fuel subsidy regime that costs about US\$9.6bn in 2022, with the freed-up resources going into priority spending in the infrastructure and agriculture sectors and social welfare. The Central Bank will also streamline the convoluted FX system into a unified exchange rate regime. While the revenue-generating capacity is low, the president promises a reduction in corporate tax as an incentive to attract private capital while plugging the revenue loopholes to boost tax revenue.

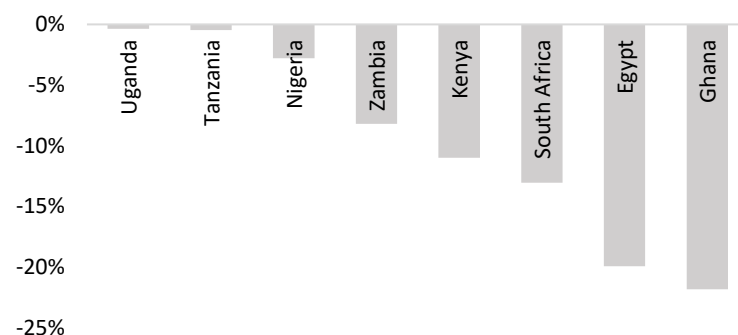
The bold promises resonated with the market, with rating agency Moody's stating that the fuel subsidy cut and the pledge to unify the FX market were credit-positive, resulting in a broad-based rally in Nigeria's sovereign bonds across the curve. The 2023 budget envisages the fuel subsidy running until June 30, 2023. While cancelling the subsidy programme and the unitisation of the exchange rate regime will prove inflationary initially, the economy will benefit from improved market confidence in the long run.

Ghana Economic Events Calendar for June-2023		
Event	Due date	Expectations
June-2023 CPI	June 14, 2023	Headline inflation to drop again
BDCs FX Auction	June 14, 2023	BoG expected to forward sell US\$20 million
May 2023 PPI	June 21, 2023	PPI to continue the decline
BDCs FX auction	June 28, 2023	BoG expected to forward sell US\$20 million

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	-0.01%	33.07	0.16%	38.46	-0.86%
Kenya	138.61	-0.26%	148.05	0.05%	171.37	-0.47%
Nigeria	461.42	-0.10%	493.17	0.35%	574.65	-0.75%
S. Africa	19.53	1.09%	21.03	0.73%	24.48	-0.34%
Tanzania	2319.79	-0.07%	2479.39	0.21%	2889.30	-0.98%
Uganda	3737.92	-0.22%	4027.61	-0.57%	4686.97	-1.80%
Zambia	15.42	-2.13%	21.18	-2.29%	24.65	-3.32%

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	2.29%	5.50%	-2.21%
South Africa	6.48%	6.56%	0.28%
Uganda	10.33%	11.10%	0.00%
Egypt	23.05%	18.33%	0.04%
Kenya	11.10%	9.37%	0.69%
Tanzania	3.96%	3.00%	-0.04%
Zambia	9.80%	10.00%	0.04%

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