

June 12, 2023

Ghana Market Review

Delays in servicing the unexchanged bonds raise concerns ahead of the Aug-23 coupon date: Following agitations from the Pensioner Bond Holder's Forum (PBHF) on the outstanding principal and coupon payments on the old bonds, the Treasury in a communique after a meeting with the PBHF on June 2, 2023, resolved to settle coupon arrears from 12th to 29th May 2023 immediately, which has since been honoured. Additionally, the Treasury committed to paying the outstanding principal from February 20, 2023, to May 29 2023, by Friday, June 16 2023.

Our estimates based on the outstanding balances on the old bonds (assuming debt service on all unexchanged eligible bonds) show that the principal obligation for the stipulated period is about GH¢6.06 bn and a coupon obligation of nearly GH¢290 mn. Another principal plus coupon obligation of about GH¢1.84bn will fall due over the next three months and ahead of the Aug-2023 coupon payment date for new bonds. At the 5% cash coupon rate for 2023, we estimate the coupon obligation on the new bonds in Aug-23 at about GH¢2 bn.

The accounting treatment of the bonds resulted in the commercial banks taking heavy impairments in 2023, which eroded capital. Thus, coupon payments in Aug-23 without distress could lead to banks revaluing their holdings of GoG bonds. The delay in servicing the old bonds is thus a major concern to the banks. Given the sizeable obligation due over the next three months, banks and other bond investors face a curious wait ahead of the Aug-23 coupon date, which could keep domestic financing conditions tight.

Cedi Stabilises broadly around GHS11.80\US\$: The Cedi regained relative stability around GHS11.80 vs the USD on the retail market last week after the bout volatility that followed the IMF Board's approval of Ghana's programme. The local unit recovered 1.7% w/w vs the USD last week to close trading flat YTD and was broadly stable on the interbank market. The Cedi also gained 0.3% and 1.9% against the Euro and the GBP last week, which trimmed the net depreciation against the European currency pair to 4.3% and 1.9%, respectively.

While we expect the Cedi to trade within a stable band in the coming weeks, we flag the vulnerable external account balances and the weak stock of FX reserves as a risk to the near-term Cedi outlook. A speedy and highly successful external debt restructuring is, thus, necessary to ease the external debt service burden.

T-bills auction oversubscribed by 6% w/w: The Treasury's offer of GH¢2.63bn at last week's auction of 91-day to 364-day bills was oversubscribed by 6%, with the Treasury accepting all the GH¢2.8 bn bids tendered. The 91-day bill accounted for 54% of the total demand for the week, and the uptake exceeded the refinancing obligation due today, June 12, 2022, by 12%. The offer cleared at slightly higher yields for the 91-day (21.27% |+11bps w/w) and the 182-day (23.95% |+2bps w/w) bills, albeit at a slower pace, while the 364-day yield dipped marginally to 27.82% (-20bps w/w). We believe the uncertain economic outlook in the near term and the increased reliance on short-term funds underscore the continuous increase in money market yields.

Secondary market Activity: We recorded a mixed performance on the secondary bonds market last week, with a nearly 40% w/w dip in the volume of T-bills traded to GH¢555 mn while the volume of bonds traded increased to GH¢97 mn (+23.4% w/w). Market sentiments remain uninspired, which could linger on for a while.

T-bill auction in the week ahead: The Treasury faces a sizeable refinancing obligation from maturing 91-day and 182-day bills in the week ahead. A total face value worth GH¢3.598 bn is falling due on Monday, June 19, 2023, and the Treasury is targeting a gross issuance of GH¢3.79 bn at the auction slated for Friday, June 16, 2023, to roll over the maturity. The sizeable refinancing obligation amidst the prevailing market uncertainties increases the risk of under-subscription, with yields potentially surging at the auction.

Cedi Performance Against Major Currencies

	GHSC	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	10.98	13.78	11.83	0.08	1.54	
W/W change	-0.05%	-0.66%	-0.52%	-0.51%	0.31%	
YTD Change	-21.9%	-25.15%	-22.7%	-17.85%	-19.7%	
Indicative retail rate	11.95	15.00	12.85	1.57	0.08	
W/W change	1.7%	0.3%	1.9%	0.9%	0.8%	
YTD change	0.0%	-4.3%	-1.9%	-10.3%	-8.3%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	25.96%	25.94%	+2bps
April-23 Inflation	41.20%	45.00%	-3.80%
1-Yr Average Inflation	41.48%	40.00%	+148bps
MPR (%)	29.50%	29.50%	+150bps
Real MPR	-11.70%	-15.50%	+3.8%
GRR (%)	26.89%	25.76%	+113bps

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T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	21.27%	21.16%	0.11%	-12.4%
182-day	23.95%	23.94%	0.02%	-13.4%
364-day	27.82%	28.02%	-0.20%	-9.7%

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The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	2,801.02	2,409.91	16%
Issuance (GH¢'M)	2,801.02	2,406.01	16%
Target (GH¢'M)	2,631	2,082	26%
Maturity (GH¢'M)	2,498.03	1,978.79	26%
Target coverage ratio	1.06x	1.16x	n/a
Maturity coverage ratio	1.12x	1.22x	n/a
Bid/Cover ratio	1.00x	1.00x	n/a

The Week Ahead

Issuance Target - T-bills (GH¢'mn)	3,790	2,631	44.05%
Maturity -T-bills (GH¢'Bn)	3,598	2,498.03	44.04%

Secondary Market Activity

Turnover – Bonds GH¢'Bn	0.097	0.079	23.40%
Turnover – Notes & Bills GH¢'Bn	0.555	0.916	-39.47%

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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: President Tinubu Suspends CBN Governor With Immediate Effect Pending the Conclusion Of Investigations Into His Office.

Official communication from the head of government at the presidency on Friday, June 9, 2023, announced the suspension of the governor of the Central Bank of Nigeria (CBN), Godwin Emefiele. The suspension follows a meeting between the President and the governor on Thursday, July 8, with the deputy governor (operations) tasked to act as governor pending the conclusion of investigations.

President Bola Tinubu is on record, during his inauguration, to have criticised the CBN's currency and monetary policy administration under Governor Emefiele, with the official communique indicating that the suspension is a sequel to the ongoing investigation of the governor's office and the planned reforms in the financial sector. Governor Emefiele's tenure prioritised a strong Naira despite the significant external shocks from the crude oil price crash and low oil production, which resulted in an acute FX shortage. In response, the CBN rolled out a multi-layered FX regime to avoid reserve depletion, resulting in a thriving parallel FX market. Unpopular policies such as the re-design of the Naira and restrictions on cash withdrawals, among others, have been criticised widely, with many Civil Society groups calling for his arrest.

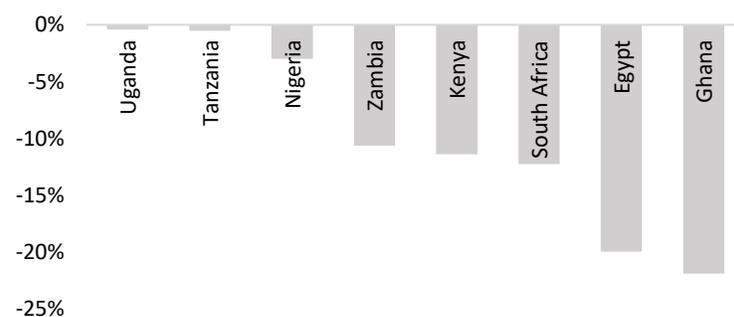
While the market is yet to react to the news (the news came after the markets closed last week, and today is a holiday in Nigeria), the President's hint at a unified exchange rate regime and the re-gigging of the monetary policy framework could trigger a positive reaction when the market opens tomorrow June 13, 2023. We expect a gradual devaluation of the Naira until market rates are unified.

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	0.00%	33.14	-0.19%	38.49	-0.07%
Kenya	139.22	-0.44%	149.63	-1.06%	173.85	-1.43%
Nigeria	462.40	-0.21%	495.26	-0.42%	576.66	-0.35%
S. Africa	18.82	3.77%	20.26	3.81%	23.61	3.66%
Tanzania	2320.95	-0.05%	2495.26	-0.64%	2900.50	-0.39%
Uganda	3722.42	0.42%	3987.08	1.02%	4632.18	1.18%
Zambia	15.42	-2.64%	21.78	-2.75%	25.41	-2.99%

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%	0.00%
South Africa	6.48%	6.56%	0.24%
Uganda	10.33%	11.10%	0.00%
Egypt	23.16%	18.33%	0.11%
Kenya	11.41%	9.37%	0.31%
Tanzania	3.96%	3.00%	0.00%
Zambia	9.80%	10.00%	0.00%

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