

June 19, 2023

Ghana Market Review

Ghana Pushing to Complete Bilateral Debt Restructuring Ahead of The First Programme Review in Sept-23: The Finance Minister, at a press conference over the weekend, indicated that the government has successfully worked with the Paris Club members and other bilateral creditors to determine the parameters of bilateral debt restructuring under the common framework. Thus, bilateral debt restructuring is now set to progress, with the government targeting a total interest saving of about US\$10.5bn over the 3-year duration of the programme.

In this regard, the Ghanaian authorities are seeking to complete the Memorandum of Understanding with the Official Creditor Committee in the coming weeks and expect to complete the negotiation for Bilateral debt treatment by the first review of the programme in Sept-23. A successful official debt restructuring by Sept-23 will represent significant progress, easing the immediate Balance of Payments concerns and creating the much-needed fiscal space for growth-enhancing expenditure.

The government also announced advanced preparations to complete the Cocoa bills and the domestic USD-denominated bonds exchange under the DDEP, with the memorandum of exchange pending SEC approval. The Minister also referenced the ongoing negotiations with organised labour to rope GH¢29.2 bn worth of old bonds into the DDEP. A successful execution could bring GH¢44.2 bn of additional domestic bonds under the DDEP and, together with the proposed buyback of the bonds held by individuals and pensioners, ease the immediate liquidity concerns.

Cedi Stabilises Broadly on Both Interbank and Retail Market: The Cedi has broadly regained stability on the interbank and retail market segments, trading within a predictable band last week.

As part of the ongoing financing arrangement, the government expects about US\$2bn in concessional financing for budgetary support in 2023. This potential inflow, together with the seasonal cocoa loan syndication and potential interest savings from official debt restructuring, could be a timely boost to the FX reserves. While still fragile, the stock of FX reserves improved slightly following the disbursement of the first tranche of US\$600 Mn under the IMF programme, supporting the Cedi's relative resilience. The marginal macroeconomic gains thus far in 2023 could, therefore, steady market sentiments ahead of the first review.

Sizeable Offer Target Leads To Pronounced Under Subscription: Last week, the Treasury's 91-day to 364-day bills attracted total demand worth GH¢3.08 bn against an issuance target of GH¢3.79 bn. The Treasury accepted 99.85% of the bids, which fell 20.43% short of the auction target and 16.15% short of the refinancing obligation due today, June 19, 2023. The significantly pronounced under subscription relative to the preceding weeks reflect the sizeable refinancing obligation, forcing nominal yields 43bps, 102bps and 109% higher at 21.69%, 24.97% and 28.91%, respectively, for the 91-day to 364-day bills.

Secondary Market Activity: While the volume of bonds traded on the secondary market increased to GH¢440 Mn (+351.6% w/w), the volume of T-bills traded declined to GH¢371 mn (32.6%). Overall, the weekly aggregate turnover amounted to GH¢811 Mn, with the bond trading interest still concentrated at the front end of the LCY curve.

T-Bill Auction In The Week Ahead: The next T-bill auction slated for Friday, June 23, 2023, will target a total FV of GH¢2.20 bn across the 91-day to 364-day tenors against an upcoming rollover obligation worth GH¢2.088 bn due on June 26, 2023. While the May-23 inflation print bucked the trend of continuous decline, we believe it is temporal, stemming from the passthrough effects of the utility tariff hikes and the new revenue measures. Thus, the May-23 inflation print may not significantly alter the near-term yield dynamics. However, the uncertainties remain, and the concentration on short-term financing could extend the uptick in yields.

Cedi Performance Against Major Currencies

GHC¢	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	10.99	14.08	12.01	0.08	1.54
W/W change	-0.12%	-2.18%	-1.48%	1.94%	0.12%
YTD Change	-22%	-26.78%	-23.8%	-16.26%	-19.6%
Indicative retail rate	12.00	15.30	13.05	1.57	0.08
W/W change	-0.4%	-2.0%	-1.5%	-0.4%	0.2%
YTD change	-0.4%	-6.2%	-3.4%	-10.7%	-8.1%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	25.98%	25.96%	+2bps
April-23 Inflation	42.20%	41.20%	-3.80%
1-Yr Average Inflation	42.69%	41.48%	+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	21.69%	21.27%	0.42%	21.69%
182-day	24.97%	23.95%	1.02%	24.97%
364-day	28.91%	27.82%	1.09%	28.91%

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The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	3,018.96	2,801.02	8%
Issuance (GH¢'M)	3,015.74	2,801.02	8%
Target (GH¢'M)	3,790	2,631	44%
Maturity (GH¢'M)	3,598.00	2,498.03	44%
Target coverage ratio	0.80	1.06	n/a
Maturity coverage ratio	0.84	1.12	n/a
Bid/Cover ratio	1.0011	1.00	n/a

The Week Ahead

Issuance Target - T-bills (GH¢'mn)	2,202	3,790	-41.90%
Maturity -T-bills (GH¢'Bn)	2,088	3,598.21	-41.97%

Secondary Market Activity

Turnover – Bonds GH¢'Bn	0.440	0.097	351.85%
Turnover – Notes & Bills GH¢'Bn	0.374	0.555	-32.64%

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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: Sweeping Economic Reforms In Nigeria Under The New Political Administration Bodes Well For Investor Confidence

The hope of awakening the sleeping giant in Nigeria and embarking on a broad-based economic renaissance is gathering momentum under the leadership of President Bola Tinubu following sweeping economic reforms in less than a month of taking office.

Against the backdrop of below-trend growth, record public debt levels, and declining oil production, the president promised a turnaround, hinting at some painful adjustments while courting public support. The administration almost instantly removed the popular but costly fuel subsidy programme at the heart of the debt problem, with the CBN also allowing a sharp devaluation of the Naira by about 36% by midweek before it corrected slightly to ₦588.95/USD\$ (-21.5% w/w) at the close of trading last week.

We believe the fuel subsidy and the exchange rate problem represent the immediate risks to fiscal and debt sustainability and market confidence, and the urgency in tackling both reforms is credit positive. The ongoing removal of price distortions in the FX market should lead the Naira towards equilibrium and, ultimately, exchange rate unification, boosting market confidence. However, the policy's success hinges on a significant boost to the FX reserves in the near term.

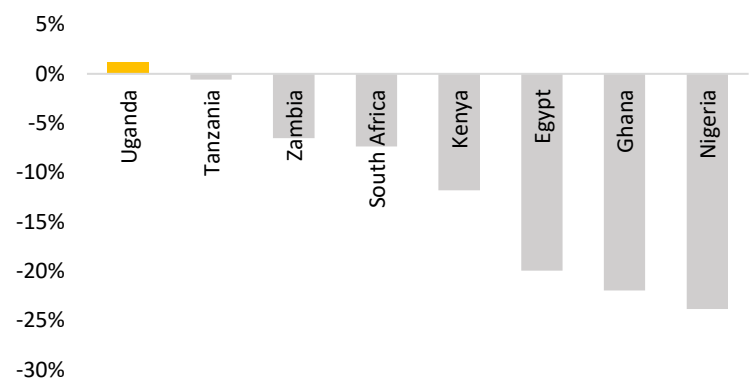
Inflation is still on the ascent, climbing to 22.41% in May-23 (from 22.22% in April). The sharp devaluation of the Naira and the passthrough effects of the fuel subsidy removal should stoke further inflationary pressure for the remainder of 2023. Thus, we expect LYC yields to be elevated.

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%	33.78	-1.90%	39.60	-2.80%
Kenya	139.87	-0.46%	151.89	-1.49%	177.18	-1.88%
Nigeria	588.95	-21.5%	495.26	0.00%	745.96	-22.70%
S. Africa	18.33	2.69%	19.85	2.07%	23.21	1.75%
Tanzania	2322.66	-0.07%	2520.33	-0.99%	2937.36	-1.25%
Uganda	3683.38	1.06%	4029.61	-1.06%	4709.94	-1.65%
Zambia	15.42	4.60%	21.17	2.89%	24.79	2.53%

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	4.89%	5.50%	2.60%
South Africa	6.48%	6.56%	0.04%
Uganda	10.33%	11.10%	0.00%
Egypt	23.25%	18.33%	0.09%
Kenya	11.64%	9.37%	0.23%
Tanzania	3.96%	3.00%	0.00%

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