

June 26, 2023

Ghana Market Review

All eyes on the 2023 mid-year review for clues amidst the prevailing uncertainties:

Despite the official start of the IMF programme and accompanying economic and structural reforms, vulnerabilities remain, which continue to undermine confidence among investors and real sector players. Investors are thus shifting attention to the mid-year budget review slated for July 2023 for cues, as 1H23 draws to a close.

The marginal improvements in Cedi performance, interest rates and external buffers are still fragile amidst a severely challenged near-term outlook for growth. While the Q1-2023 growth outturn of 4.2% was upbeat, the frontloaded austerity measures envisaged under the programme have tightened the business operating environment. Businesses are facing higher operating costs from the sweeping reforms in the utility tariff regime and the energy sector and induced wage increases, with the high-interest rates also stifling credit growth and capital expansion. Thus, investors will look out for updates on the strategies to stimulate growth and market confidence to shape business decisions in 2H22. As such, we expect nominal interest rates to remain elevated with a largely dormant secondary bonds market in the lead up to the mid-year review.

Cedi extends resilient run last week: The Cedi held on to its relative resilience against the major trading currencies with a tilt towards marginal appreciation on both the retail and interbank market segments last week. The local unit gained 0.4% vs the USD w/w but closed flat against the GBP on the retail market and was slightly more resilient on the interbank market.

Zambia's breakthrough in negotiations with the Official Creditor Committee may be inspiring confidence about a speedy debt restructuring under the Common Framework ahead of the Sept-23 review of the IMF programme. A successful external debt restructuring should unlock a much-needed Balance of Payments support that will cushion the Cedi through the seasonal pressures in Q4 2023.

T-Bill yields drift higher despite the marginal oversubscription last week: Last week's T-bill auction raked in about GH¢2.30bn against an issuance target of GH¢2.20 bn. The

Treasury accepted 99.08% of the bids, with both demand and the uptake marginally exceeding the refinancing obligation due today, June 26, 2023. Again the auction cleared higher in tandem with the unfavourable market sentiments with the 91-day (22.18% | +49bps w/w), the 182-day (25.44% | +47bps w/w) and the 364-day (29.25% | +34bps w/w) drifting higher. The attempt to restructure the exempted pension funds holding and cocoa bills in the second leg of DDEP may be further denting market sentiments and, together with the fragile macroeconomic landscape as well as the turn in the trajectory of inflation, underpin the slightly sharper climb in T-bill yields over the last fortnight.

Secondary Market Activity: The GFIM posted a mixed performance yet again last week as activity remains mostly depressed on the bonds market. The volume of bonds traded dipped 74.3% w/w to GH¢113 million while T-bill re-discounting surged to GH¢1.26 bn last week (from GH¢374 mn in the preceding week). The Feb-27 4-Year bond (coupon:8.35% | average price: 97.59%) dominated the bond market activity, accounting for 84% of the volume of bonds traded last week.

T-Bill Auction In The Week Ahead: The next T-bill auction slated for Friday, June 30, 2023, will target a total FV of GH¢2.913 bn across the 91-day and 182-day against a rollover obligation worth GH¢1.738 bn. Given the pronounced uncovered auctions since auction 1850, we believe the Treasury may be attempting to close the rollover gap with excess uptake from this auction, underpinning the significantly higher offer target relative to the refinancing obligation for the week. However, we note emerging signs of tightening GHS liquidity conditions on the interbank market, with the interbank interest rate increasing by 18bps over the last three weeks. Therefore, T-bill yields could drift even higher at the auction amidst the prevailing uncertainties.

Cedi Performance Against Major Currencies

GHC¢	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	10.99	13.97	11.97	0.08	1.53
W/W change	0.01%	0.83%	0.35%	1.31%	0.79%
YTD Change	-21.9%	-26.17%	-23.6%	-15.16%	-18.9%
Indicative retail rate	11.95	15.30	13.10	1.56	0.08
W/W change	0.4%	0.0%	-0.4%	1.1%	1.8%
YTD change	0.0%	-6.2%	-3.8%	-9.7%	-6.5%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	26.12%	25.98%	0.14%
April-23 Inflation	42.20%	41.20%	1.00%
1-Yr Average Inflation	42.69%	41.48%	1.21%
MPR (%)	29.50%	29.50%	0.00%
Real MPR	-9.24%	-8.47%	-0.78%
GRR (%)	26.89%	25.76%	1.13%

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	22.18%	21.69%	0.49%	-14.37%
182-day	25.44%	24.97%	0.47%	-12.09%
364-day	29.25%	28.91%	0.34%	-9.42%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	2,299.32	2,801.02	-17.91%
Issuance (GH¢'M)	2,278.18	2,801.02	-18.67%
Target (GH¢'M)	2,202	2,631.00	-16.31%
Maturity (GH¢'M)	2,088	3,598.00	-41.97%
Bid/Cover ratio	1.0093	1.00	n/a
Target coverage	1.03	1.06	n/a
Maturity Coverage	1.09	1.12	n/a

The Week Ahead

Issuance Target - T-bills (GH¢'mn)	2,913.00	2202.0	32.29%
	1,738.98	2,087.97	-16.71%

Secondary Market Activity

Turnover – Bonds GH¢'Bn	0.113	0.440	-74.33%
Turnover – Notes & Bills GH¢'Bn	1,259.87	0.374	337068.99%

GCB Capital Research | Bank of Ghana

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

Zambia: Official Debt Restructuring Nears Closure After Landmark deal with Official Creditors

The government of Zambia clinched a historic deal with the Official Creditor Committee (OCC) to restructure about US\$6.3 billion of official debt under the Common Framework.

The deal on Friday was almost three years in the works and will see Zambia's external debts spread over 20 years with a 3-Year principal moratorium. The debts earmarked for restructuring under the agreement include about US\$1.3 Bn in arrears. The transaction will extend to private creditors who will treat about US\$6.8 billion of commercial debts under identical terms.

The breakthrough under the Common Framework is important in many significant ways. First, the agreement will pave the way for the completion of the first review of the 3-Year programme supported by the Extended Credit Facility (ECF) and the release of the second tranche of about US\$188 mn under the US\$1.3 bn loan package. Secondly, Zambia represents a test case for the G20 Common Framework for debt restructuring beyond the Debt Service Suspension Initiative (DSSI). It should provide a template for Ghana, Chad and Ethiopia to achieve speedy external debt restructuring.

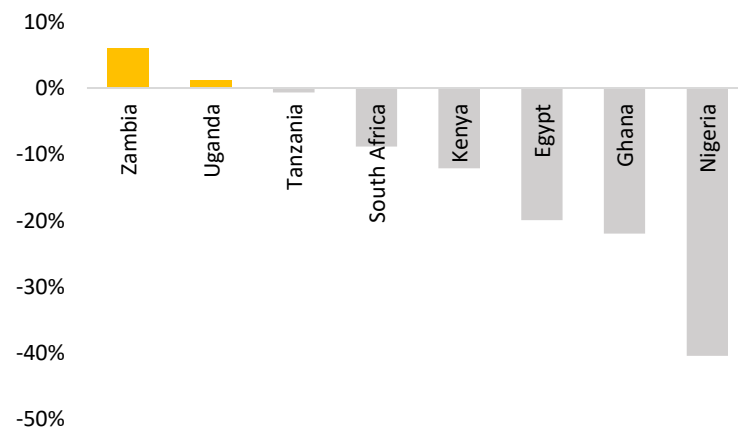
Zambia's sovereign bonds rallied along with other debt-distressed countries that have applied for relief under the common framework, and the Kwacha corrected sharply on the interbank market, recording a 13.43% w/w appreciation versus the USD. Thus, we expect bond valuations to improve, with the Kwacha extending its corrective run following this breakthrough.

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%	33.64	0.40%	39.27	0.84%
Kenya	140.40	-0.38%	154.17	-1.48%	179.08	-1.06%
Nigeria	753.01	-21.8%	825.22	-40.0%	959.56	-22.26%
S. Africa	18.63	-1.62%	20.25	-1.96%	23.66	-1.90%
Tanzania	2324.63	-0.08%	2553.61	-1.30%	2963.80	-0.89%
Uganda	3672.04	0.31%	4010.60	0.47%	4669.00	0.88%
Zambia	15.42	13.43%	18.56	14.04%	21.67	14.36%

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%	4.89%	0.00%
South Africa	8.45%	8.43%	0.02%
Uganda	10.31%	10.38%	-0.07%
Egypt	23.29%	23.25%	0.04%
Kenya	11.79%	11.64%	0.14%

Research Contacts

Courage Kwesi Boti
Economist/ Research Lead
+233302945848 | +233302945838
ckboti@gcb.com.gh

Fund Management Contacts

Afua Akyaa Osei
Vice President, Fund Management
+233302945848 | +233302945838
aaosei@gcb.com.gh

Advisory & Capital Markets Contacts

Baffour Agyarko Kwakye
Vice President, Advisory & Capital
Markets
+233302945848 | +233302945838
bakwakye@gcb.com.gh

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@gcb.com.gh

Michelle Nana Ohenewaa Kitson-Amoah
Associate, Advisory & Capital Markets
+233302945848 | +233302945838
mnodadev@gcb.com.gh

Disclaimer

This Economic and Market Insight has been prepared by the Research & Analytics Desk of GCB Capital Ltd solely for information purposes and does not constitute any legally binding obligations on GCB Capital. Any views expressed are those of the Research & Analytics Desk. Any views and commentary in this investor note are short-term views of GCB Capital Ltd's Research & Analytics Desk from which it originates and are not a personal recommendation and do not consider whether any product or transaction is suitable for any investor.

Whilst the information provided in this document has been prepared by GCB Capital's Research & Analytics Desk based on or by reference to sources, materials that GCB Capital Ltd believes are reliably accurate, GCB Capital Ltd does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and is subject to change. It is not a recommendation, advice, offer or solicitation to the reader to buy or sell a product or service. We do not accept any liability for losses (direct or consequential) which may arise from making use of this note or its contents or reliance on the information contained herein.

All opinions and estimates are given as of the date hereof and are subject to change. GCB Capital Ltd is not obliged to inform readers of any such change to such opinions or estimates. This document does not purport to contain all the information that you may desire. In all cases, interested parties should conduct their own investigations and analysis of the transaction described in the document and of the data set forth in the document. It is recommended for interested parties to check that the information provided is in line with their own circumstances about any legal, regulatory, tax or other specialist or technical advice or services, if necessary, with the help of a professional advisor. This document is confidential and may not be reproduced or distributed in whole or in part without the prior written permission of GCB Capital Ltd.



49 Ndabaningi Sithole Rd

Labone, Accra