

July 17, 2023

### Ghana Market Review

**Government of Ghana and COCOBOD launches domestic USD-denominated bond and Cocoa bills exchange:** After weeks of anticipation, the government of Ghana launched the second leg of the Domestic Debt Exchange (DDE), targeting four USD-denominated domestic bonds worth US\$808.99bn maturing in Nov-2023 and Nov-2026. The offer will split the outstanding Face Value (FV) equally into two (2) tenors maturing in Jul-27 and Jul-28 while slashing the coupon rates to 2.75% and 3.25% on the 2027 and 2028 tenors, respectively (from 4.75% and 6% on the original tenors). The coupon will be paid semi-annually and in arrears, starting from Jan-24 and redeemable as a bullet at maturity.

In a separate offer, COCOBOD, through their arrangers, Cal Bank, also launched an exchange offer targeting the exchange of the outstanding face value of Cocoa Bills worth GH¢7.93 billion. The offer will split the FV into five (5) different tenors with maturities from 2024 to 2028 at an exchange consideration ratio of 5%, 20%, 25%, 25% and 25%, respectively. The exchange offer will pay a flat coupon rate of 13% across the five (tenors). COCOBOD also offers to pay eligible bondholders accrued and unpaid interest in the form of capitalised interest. COCOBOD is proposing semi-annual interest payments in arrears, starting from Feb-24.

Both offers will close on August 4, 2023, barring any extensions, with settlement slated for August 11, 2023. Given the extensive background engagement preceding the offer, we expect the process to be relatively seamless. The significant slash in interest rates for Cocoa Bills will improve COCOBOD's liquidity position and ease the risk of contingent liabilities to the Central government from the cocoa sector. However, the government could face the risk of maturity clustering from 2027 as four tenors of sizeable outstanding face values will fall due.

**Cedi is broadly stable vs the USD but bearish against the other trading currencies:** The Cedi closed flat w/w against the USD on the retail market but ceded grounds to the Euro and the GBP at the close of trading last week. The interbank market also mimicked a similar trend, with the local unit broadly stable against the USD but bearish against the other major trading currencies.

The Cedi has been range-bound thus far in 2023, and we expect the current stable run to continue in the lead-up to the Monetary Policy Committee meeting from mid-week and the press conference slated for Monday, July 24, 2023. Beyond July, the Cedi's outlook will hinge on progress with external debt restructuring, the outlook from the revised fiscal framework, COCOBOD's annual cocoa loan syndication, and a successful first review of the IMF programme.

**T-bill auctions raked in GH¢2.13 bn, exceeding the offer target by 20%:** Last week's T-bill offer attracted total demand valued at GH¢2.13bn. The Treasury accepted all the bids tendered at the auction, which exceeded the auction target by 20% and the refinancing obligation due today, July 17, 2023, by 27%. The clearing yields increased again at the auction, with the average 91-day yield settling 39bps higher at 24.69%, while the 182-day bill cleared 38bps higher at 26.41%.

**Secondary market activity:** Secondary market activity slowed down across the bonds and the T-bills market last week, with the aggregate volumes for the week declining by 26.2% w/w to GH¢996 mn. Bonds accounted for 17.7% of the aggregate volumes traded, with T-bill trades accounting for the remainder of the aggregate volume moved last week. The bonds traded at an average price of 97.7, with eleven (11) of the twenty-three trades recorded last week priced at a premium.

**T-Bill auction in the week ahead:** The next T-bill auction slated for Friday, July 21, 2023, will target a gross issuance of GH¢2.66bn across the 91-day to 364-day bills to rollover upcoming T-bill maturities estimated at GH¢2.45bn. While we expect the Monetary Policy Committee to hold the policy rate at 29.5% at the July policy meeting slated for July 24, 2023, investors, especially the commercial bank, could remain cautious ahead of the MPC press conference. Thus, demand at the next T-bill auction could be depressed, which may result in a sharper increase in yields across the T-bill curve.

Cedi Performance Against Major Currencies						
	GH¢	US\$	GBP	€	JP¥	CNY
Interbank Ref. rate	11.00	14.43	12.37	0.08	1.54	
W/W change	-0.02%	-2.18%	-2.55%	-2.52%	-1.20%	
YTD Change	-22.1%	-28.56%	-26.0%	-18.26%	-19.6%	
Indicative retail rate	11.85	15.45	13.20	1.57	0.08	
W/W change	0.0%	-1.9%	-1.9%	-1.2%	-3.9%	
YTD change	0.8%	-7.1%	-4.5%	-10.6%	-9.7%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	26.25%	26.19%	0.06%
April-23 Inflation	42.50%	42.20%	0.30%
1-Yr Average Inflation	43.75%	42.69%	1.06%
MPR (%)	29.50%	29.50%	0.00%
Real MPR	-9.91%	-9.24%	-0.67%
GRR (%)	26.89%	26.89%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	24.69%	24.29%	0.39%	-13.47%
182-day	26.41%	26.03%	0.38%	-12.33%
364-day	29.65%	29.65%	0.00%	-9.81%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,126.22	2,068.51	2.79%
Issuance (GH¢'M)	2,126.22	1,979.94	7.39%
Target (GH¢'M)	1,778	1,575.00	12.89%
Maturity (GH¢'M)	1,670	1,670.12	0.00%
Bid/Cover ratio	1.0000	1.04	n/a
Target coverage	1.20	1.26	n/a
Maturity Coverage	1.27	1.19	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,664.00	1778.0	49.83%
Upcoming T-bill Maturities (GH¢'mn)	2,499.56	1,670.12	49.66%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.176	0.260	-32.41%
Turnover – Notes & Bills GH¢'Bn	0.82	1.090	-24.98%

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Week 3: Performance of Selected African Sovereign Bonds					
Country/ Ratings	Maturity	Current Price		Yield-to-Maturity	
		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

**Egypt: Inflation soars to an all-time high following monetary expansion and pound devaluation pass-through.**

Egypt's urban inflation print for June 2023 soared to 35.7% year-on-year (from 32.7% in May 2023), extending the inflation run through 11 out of the last 12 months. The June 2023 print is a record high, surpassing the previous all-time high of 32.95% achieved in Jul-2017. Core inflation also increased to 41% (from 40.3%) in May-23.

We believe the acute shortage in FX liquidity and the IMF-induced devaluation of the Pound as a precondition for the IMF Board's approval of Egypt's request for the US\$3 bn, 46-month programme supported by the Extended Fund Facility (EFF) underscore the relentless inflation run in Egypt. Additionally, the monetary data also shows narrow money supply (M1) expanded by 31.9% year-to-May-23, surpassing the annual growth rate of 23.1% and 15.7% in the 2021/22 and 2020/21 fiscal years, respectively. It appears the Central Bank of Egypt has resorted to monetising the Central government deficit amidst the heightened debt service burden, which could extend the inflationary run.

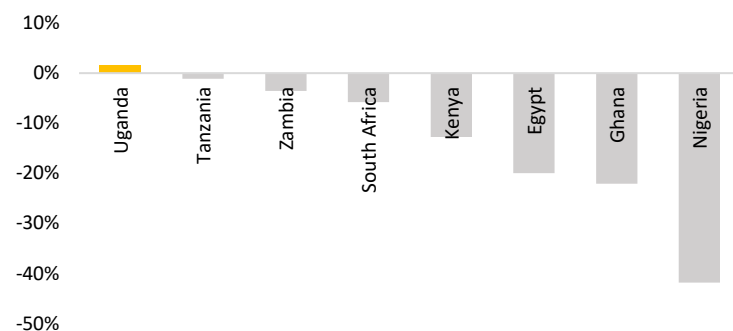
We flag the deferred electricity tariff hike and the increasing monetisation of the fiscal deficit as upside risks to inflation in the near term, which may warrant another interest rate hike at the Aug-23 monetary policy meeting. We also note that the USDEGP exchange rate has stagnated following the earlier devaluations, raising uncertainties about the shift to a flexible exchange rate regime, with the first review of the EFF still pending. The delayed review could undermine investor confidence in the economy, with the possibility of further devaluation of the Pound posing additional upside risks to near-term inflation.

Ghana Economic Events Calendar for July - 2023		
Event	Due date	Expectations
BDCs FX Auction	July 11, 2023	BoG expected to forward sell US\$20 mn
June-2023 CPI	July 12, 2023	Another marginal climb in inflation
May 2023 PPI	July 19, 2023	Rising input costs to drift PPI higher
MPC meetings	July 19-21, 2023	MPC expected to hold the policy rate
MPC press conf.	July 24, 2023	MPC expected to hold the policy rate
BDCs FX Auction	25 <sup>th</sup> July 2023	BoG expected to forward sell US\$20 mn
Mid-year Budget rev	25 <sup>th</sup> July 2023	Review of the 2023 budget

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.72	0.00%	39.26	0.00%
Kenya	140.92	-0.28%	153.31	-0.22%	177.28	1.40%
Nigeria	760.28	-0.13%	826.27	0.61%	965.71	0.21%
S. Africa	19.08	-0.80%	20.75	-1.12%	24.31	-1.71%
Tanzania	2331.51	-0.17%	2539.02	0.20%	2976.99	-1.26%
Uganda	3694.21	-0.69%	4022.99	-0.88%	4707.90	-1.58%
Zambia	15.42	-5.45%	19.66	-5.57%	23.01	-5.80%

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	30.90	-0.02%	34.69
South Africa	141.38	-0.33%	158.08
Uganda	770.98	-1.39%	862.88
Egypt	18.02	5.86%	20.23
Kenya	2335.03	-0.15%	2618.04
Tanzania	3669.25	0.68%	4116.89
Zambia	15.42	-3.77%	21.04

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