

August 7, 2023

Ghana Market Review

Treasury launched GHS31 Bn alternative exchange offer to local pension funds last week: The government of Ghana launched an alternative debt exchange for pension funds, targeting about GH¢31 bn of eligible bonds comprising GHS-denominated GoG bonds, Daakye PLC and ESLA PLC bonds exempted from the initial DDEP. The offer opened on Monday, July 31, 2023, and is expected to close on Friday, August 18, 2023, at 4 pm.

Under the terms of the offer, the Treasury will convert the holding of the pension industry into two maturities maturing in 2027 and 2028 at an exchange consideration ratio of 58% and 57% of the principal tendered, respectively. The instruments will pay a cash coupon of 5% across the board and a Payment in Kind (PIK) of 3.35% and 3.5% on the 2027 and 2028 tenors, respectively. Additionally, the Treasury offered interest-only bonds, which split the principal tendered into two equal instalments maturing in 2027 and 2028 and at a flat coupon rate of 10%. Given the extensive consultation that preceded the launch, we tip the offer to succeed. We also believe the terms of the exchange give investors comparable coupon rates to the original bonds and superior Yield-to-Maturity (YTM) and do not result in any haircut to the pension funds.

Separately, the offer period of the Cocoa Bill and the domestic USD-denominated bonds alternative exchange offers announced in July-2023 ended Thursday, August 4, 2023, with the issuers yet to communicate to the market. The offer went by quietly with no public resistance, and we expect communication on the offer results and the next steps from the issuers during the week.

Cedi stable amidst concerns about near-term reserve vulnerability: The Cedi's stable run continues across the interbank and retail market segments with a marginal tilt towards appreciation. The local unit gained 1.3% w/w on the retail market last week (+3.5% YTD) and was broadly stable on the interbank market (-22.1% YTD) interbank market. We believe budget execution thus far in 2023 suggests a renewed commitment to fiscal discipline under the IMF programme, which could ease the immediate investor concerns about the fiscal consolidation drive and the speculative tendencies on the FX market.

However, the gross reserve remains vulnerable, leaving the local unit susceptible to shocks in the near term. The government expects the FX reserve to cover about 0.8 months of imports by FY2023 despite the anticipated inflows from the World Bank, the IMF, the AfDB, and the annual cocoa pre-export finance facility. Thus, the near-term outlook is susceptible to extreme shocks and hinges on significant interest savings from the external debt exchange.

Treasury attracted enough demand to meet its rollover obligations at the last T-bill auction: While the Treasury successfully rolled over its maturity obligation at last week's T-bill auction, the bids and uptake were marginally short of the auction target for the week. Total bids amounted to GH¢2.18 Bn, with the Treasury accepting almost all bids at slightly higher yields. The 91-day yield inched 33bps higher to 25.57%, while the 182-day and the 364-day bills climbed 13bps and 19bps to 27.28% and 30.49%, respectively.

Secondary Market Activity: Trading volumes on the secondary market dipped across both Bonds and T-bills last week. Bond trades accounted for 35% of the total trades for the week (-32.3% w/w), with most new trading at either par or at a premium to the face value. Again, the new bonds dominated activity on the GFIM and accounted for 96% of the Cedi-denominated bonds traded last week.

T-Bill Auction in The Week Ahead: The Treasury will be targeting a gross issuance size of GH¢3.07 bn at the next T-bill auction slated for Friday, August 11, 2023, to rollover upcoming T-bill maturities estimated at GH¢2.88 bn. Given the sizeable target size and the higher refinancing obligation relative to recent weeks, the auction could be potentially undersubscribed.

Cedi Performance Against Major Currencies						
	GH¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.00	13.99	12.05	0.08	1.54	
W/W change	0.02%	1.13%	0.67%	2.20%	0.35%	
YTD Change	-22.1%	-26.29%	-24.1%	-16.15%	-19.2%	
Indicative retail rate	11.55	14.65	12.60	1.56	0.08	
W/W change	1.3%	2.0%	2.0%	1.1%	2.7%	
YTD change	3.5%	-2.0%	0.0%	-9.6%	-6.0%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	26.36%	26.29%	0.07%
April-23 Inflation	42.50%	42.50%	0.00%
1-Yr Average Inflation	43.75%	43.75%	0.00%
MPR (%)	30.00%	29.50%	0.50%
Real MPR	-9.57%	-9.91%	0.34%
GRR (%)	29.28%	26.89%	2.39%

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	25.57%	25.24%	0.33%	-12.65%
182-day	27.28%	27.15%	0.13%	-11.46%
364-day	30.49%	30.31%	0.19%	-9.22%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,179.14	2,342.06	-6.96%
Issuance (GH¢'M)	2,178.74	2,334.77	-6.68%
Target (GH¢'M)	2,261	2,282.00	-0.92%
Maturity (GH¢'M)	2,126.15	2,022.00	5.15%
Bid/Cover ratio	1.0002	1.00	n/a
Target coverage	0.96	1.02	n/a
Maturity Coverage	1.02	1.15	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	3,065.00	2,261.00	35.56%
Upcoming T-bill Maturities (GH¢'mn)	2,879.94	2,126.15	35.45%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.419	0.619	-32.38%
Turnover – Notes & Bills GH¢'Bn	0.760	0.980	-22.92%

GCB Capital Research | Bank of Ghana/fiatals e, in

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	52.23	52.87	598.58%	583.5%
	GHA 8% 05/07/42	37.8	39.21	22.228%	21.53%
	GHA8% 03/11/61	37.60	39.38	22.107%	21.16%
Egypt B+/B3/B	EGPT 4.55 11/20/23	98.13	99.24	8.95%	6.303%
	EGPT 6% 04/30/40	56.34	57.99	13.493%	13.11%
	EGPT 7% 02/16/61	52.49	53.60	14.351%	14.06%
Kenya B/B2/B	KENINT 6% 6/24/24	92.638	93.943	14.810%	13.34%
	KENINT 6.3 1/23/34	73.041	74.341	10.587%	10.34%
	KENINT 8% 2/28/48	75.032	76.432	11.259%	11.05%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	99.24	100.26	15.228	13.18%
	NGERIA 7% 9/28/33	74.13	75.25	11.771%	11.54%
	NGERIA 8% 9/28/51	69.72	70.84	12.026%	11.84%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.03	99.38	6.329%	5.734%
	SOAF 5 10/12/46	66.49	67.50	8.261%	8.128%
	SOAF 7.3 04/20/52	84.08	84.71	8.831%	8.761%
Cote Ivoire BB-/Ba3/BB-	IVYCSY 5% 07/23/24	96.86	98.419	8.376%	6.866%
	IVYCSY 6% 06/15/33	86.84	88.237	8.067%	7.843%
	IVYCSY 6% 03/22/48	68.96	70.078	10.062%	9.897%

Other African Markets Review

Nigeria: S&P Affirms the Issuer Default Risk to B-/B, revises outlook to positive.

The sweeping macroeconomic and fiscal reforms since President Bola Tinubu took office have won Nigeria global plaudits. In its latest rating action, S&P global ratings affirmed Nigeria's Sovereign Issuer Default Risk at B-/B and revised the outlook from negative to stable. The ongoing reform agenda should set to tone for accelerated growth in the near term and attract the much-needed private-sector investments into the real sectors of the economy. S&P also expects the reforms to ease the immediate pressure on public finances and improve the balance of payments as the CBN adopts a more market-friendly approach to managing the FX regime. The NGN closed trading 0.57% weaker last week, and the reduced pressure on reserves following the transition to a flexible exchange rate regime should ease the rate of reserve depletion and gradually anchor Cedi stability.

Egypt: MPC raise overnight lending rates in response to resurgent inflation

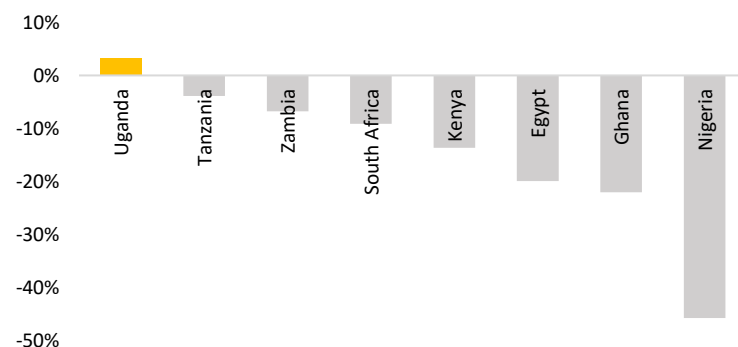
The Monetary policy committee of the Central Bank of Egypt raised the overnight deposit rate, lending rate and the rate of its main operation by 100bps to 19.25%, 20.25% and 19.75%, respectively, in response to the red-hot run of inflation following the currency devaluation in the lead up to the IMF programme. Both headline and core inflation are elevated at 35.7% and 41%, respectively, in Jun-23, driven by persistent supply-side shocks, which continue to filter through to underlying price pressures. With the increased CPI broad-based, the MPC could sustain the hawkish policy stance through 2H23, especially as the growth outlook appears supported despite the moderation in indicators of economic activity in Q2-2023.

Ghana Economic Events Calendar for August - 2023		
Event	Due date	Expectations
July-2023 CPI	August 9, 2023	Inflation could decline marginally
S&P Global PMI	August 9, 2023	Direction of PMI uncertain
BDCs FX Auction	August 15, 2023	BoG expected to forward sell US\$20 mn
July-2023 PPI	August 17, 2023	PPI could record further decline
BDCs FX Auction	August 30, 2023	BoG expected to forward sell US\$20 mn

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.90	0.00%	34.03	0.68%	39.71	-0.15%
Kenya	142.30	-0.37%	156.68	1.24%	182.87	-0.20%
Nigeria	774.78	-0.57%	852.41	0.46%	996.52	-0.67%
S. Africa	17.87	0.49%	19.58	2.11%	22.87	0.89%
Tanzania	2383.14	-1.93%	2635.64	-0.83%	3072.83	-2.09%
Uganda	3612.46	1.57%	3966.84	3.78%	4619.97	4.18%
Zambia	15.42	4.42%	20.43	5.69%	23.88	4.25%

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	6.00%	2.86%	3.14%
South Africa	8.42%	8.60%	-0.18%
Uganda	9.31%	10.20%	-0.89%
Egypt	23.55%	23.29%	0.26%
Kenya	12.35%	12.23%	0.12%
Tanzania	4.60%	4.60%	0.00%
Zambia	9.50%	9.80%	-0.30%

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