

July 26, 2023

### Ghana Market Review

#### Ghana appears set to announce the memorandum for the second round of DDEP:

After a series of background negotiations with investors towards a second leg of the Domestic Debt Exchange Programme (DDEP), the government appears ready to announce the proposed terms for exchanging the USD-denominated domestic bonds, Cocoa bills, and other outstanding domestic bonds.

This second leg of DDEP will target an exchange of about GH¢122 bn of outstanding domestic debts comprising cocoa bills, the exempted bonds held by the pensions sector, USD-denominated local bonds and non-marketable debts held by the Bank of Ghana. While organised labour has hinted at rejecting attempts to rope pension funds back into DDEP following the earlier exemption, it appears prior negotiations are ongoing in the background ahead of the imminent announcement, which can enhance the chances of success. A successful exchange under the second leg of DDEP will enhance the interest savings from DDEP, improve the near-term fiscal outlook and create the much-needed fiscal space for growth-enhancing spending.

**Cedi extended a resilient run last week:** The Cedi continued the stable run against the major trading currencies, moving within a predictable band with a marginal tilt towards appreciation against the USD on the retail market.

The local unit gained 0.8% w/w versus the USD on the retail market to close 1H23 with a net appreciation of 0.80%. The Cedi also held strongly against the GBP and the Euro last week, appreciating by 1.70% w/w (1H23: -4.70%) and 1.20% (1H23: -2.70%), respectively. While uncertainties prevailed throughout 1H23, we believe the limited portfolio reversals due to inactivity on the domestic bonds market and the suspension of external debt service partly contributed to the relative resilience of the Cedi. While the outlook remains uncertain, potential interest savings from external debt restructuring and proceeds from the annual cocoa loan syndication and the disbursements under the current IMF programme after a successful first review should cushion the reserves and anchor the Cedi's resilience through the third and fourth quarters.

**Investor demand at the last T-bill auction underwhelmed relative to target:** Last week's T-bill auction attracted total demand worth GH¢2.39 bn against the target of GH¢2.91bn, and a refinancing obligation of GH¢1.74 bn due today, July 3, 2023. The Treasury accepted all the bids which exceeded the refinancing obligation for the week by 38%. However, participation at the auction disappointed relative to the target, with the demand and uptake falling 18% short of the auction target.

Yields continued higher, with the pace of increase even more pronounced last week. The 91-day climbed 177bps w/w to 23.95%, with the 182-day yield also rising 36bps w/w to 25.80%. While investor demand is steady and firm, it appears the larger target sizes stemming from the Treasury's strong appetite for short-term funds underscore the under subscriptions in recent weeks and the continuous climb in yields. We also note an ongoing tightening in GHS liquidity on the interbank market ahead of the July-23 MPC meeting, which could further depress demand going forward.

**Secondary Market Activity:** T-bills trade dominated secondary market activity on the GFIM last week as bond trades remain broadly subdued. An aggregate volume of bonds traded last week increased by 130.57% w/w to GH¢260 Mn, while the T-bill volumes moved last week declined by 3.96% w/w to GH¢1.09 Bn. The bonds traded close to par, with activity still centred around the front end of the curve. With nominal money market instruments returning significantly higher yields than bonds, activity on the secondary market could remain subdued for a while.

**T-Bill Auction In The Week Ahead:** The Treasury will attempt a gross issuance worth GH¢1.58 bn across the 91-day to 364-day bills at the next T-bill auction slated for Friday, July 7, 2023, against a T-bill maturity obligation of GH¢1.67 bn. While we expect yields to continue the upward trek, the auction could be oversubscribed, given the relatively smaller size on offer.

### Cedi Performance Against Major Currencies

GHS¢	US\$	GB£	€	JP¥	CN¥
<b>Interbank Ref. rate</b>	11.00	13.99	12.01	0.08	1.52
<b>W/W change</b>	-0.08%	-0.14%	-0.35%	0.53%	0.90%
<b>YTD Change</b>	-22.0%	-26.28%	-23.8%	-14.72%	-18.3%
<b>Indicative retail rate</b>	11.85	15.05	12.95	1.57	0.08
<b>W/W change</b>	0.8%	1.7%	1.2%	-0.6%	0.0%
<b>YTD change</b>	0.8%	-4.7%	-2.7%	-10.2%	-6.5%

Source: GCB Capital Research, Bank of Ghana, Oanda

### Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	26.19%	26.12%	0.07%
April-23 Inflation	42.20%	42.20%	0.00%
1-Yr Average Inflation	42.69%	42.69%	0.00%
MPR (%)	29.50%	29.50%	0.00%
Real MPR	-9.24%	-9.24%	0.00%
GRR (%)	26.89%	26.89%	0.00%

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### T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	23.95%	22.18%	1.77%	-13.13%
182-day	25.80%	25.44%	0.36%	-11.84%
364-day	29.25%	29.25%	0.00%	-9.42%

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### The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	2,393.24	2,299.32	4.08%
Issuance (GH¢'M)	2,393.24	2,278.18	5.05%
Target (GH¢'M)	2,913	2,202.00	32.29%
Maturity (GH¢'M)	1,739	2,087.97	-16.71%
Bid/Cover ratio	1.00x	1.01x	n/a
Target coverage	0.82x	1.03x	n/a
Maturity Coverage	1.38x	1.09x	n/a

### The Week Ahead

<b>T-bill Issuance Target - (GH¢'mn)</b>	1,575.00	2913.0	-45.93%
<b>Upcoming T-bill Maturities (GH¢'mn)</b>	1,670.12	1,738.98	-3.96%

### Secondary Market Activity

<b>Turnover – Bonds GH¢'Bn</b>	0.260	0.113	130.57%
<b>Turnover – Notes &amp; Bills GH¢'Bn</b>	1,090.42	1259.867	-13.45%

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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: Ongoing FX reform quickens the pace of reserve depletion in Nigeria; FX reserves down US\$2.86bn at HY23.**

About a month into President Bola Tinubu's administration, the swift shift to a managed float FX regime triggered a sharp decline in the stock of gross reserves. Nigeria's gross and net FX reserves declined by US\$0.87bn and 0.86bn, respectively, in Jun-2023 as the CBN releases hard currency to support the reform.

The combination of slowing crude oil output and low offshore investor participation on the Nigerian market had already limited the sources of FX inflows. This limited supply of FX has led to a backlog of pent-up FX demand and a thriving parallel FX market. Thus, the immediate demand pressure following the shift to a more flexible exchange rate regime triggered sharp depletion in the stock of FX reserves, with gross reserves weakening to US\$34.22bn at HY23 (-US\$2.86 bn YTD).

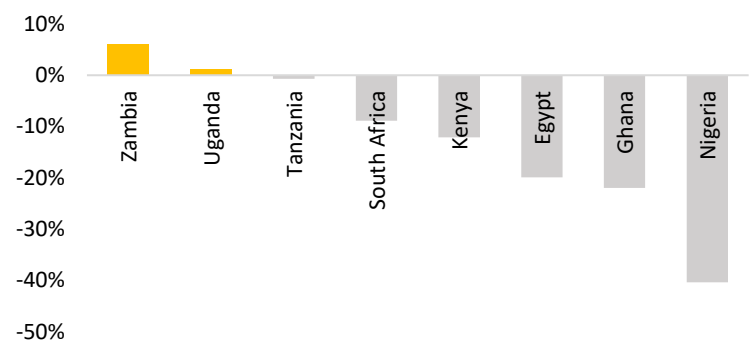
The Naira is thus reeling from the ongoing reforms, which will pose inflationary risks and heighten external vulnerabilities in the near term. Already, inflation is at an 18-month high and could spiral in the near term as the exchange rate reforms and the discontinuation of the petroleum subsidy regime drive cost pressures to inflation. However, the ongoing fiscal and monetary policy reforms bode well for macroeconomic stability over the medium term. We expect offshore investor sentiments and risk appetite to recover as the reforms steadily gather steam.

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	27 <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%	33.64	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	8.70%	8.45%	0.25%
Uganda	10.31%	10.31%	0.00%
Egypt	23.29%	23.29%	0.00%
Kenya	11.90%	11.79%	0.12%
Tanzania	3.96%	3.00%	0.00%
Zambia	9.80%	10.00%	0.00%

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