

July 10, 2023

### Ghana Market Review

**June inflation to continue higher amidst the renewed price risks from the revenue and utility tariff measures:** While the mix of easing global energy price pressures, the Cedi's relative resilience and a favourable base drift ushered in a disinflation trend for most of 1H23, inflation reversed course in May 2023, thanks to pass-through effects of new levies and utility tariff increases on general prices.

Inflation eased from the peak of 54.1% in Dec-22 to 41.2% in April-23 before inching 100bps higher in May. Ahead of the June 2023 release at midweek, we expect these revenue measures' first and second-round effects to drift headline inflation further up, with the simmering food prices sustaining the uptick. With over 47% increase in electricity tariff in 1H22 and the rollout of the new revenue measures, near-term inflation expectations are elevated, and this is expected to nudge inflation higher in June and possibly July-2023. However, beyond July and, barring the rollout of additional revenue-enhancing measures during the mid-year budget review, the tariff and revenue-induced rise in near-term inflation expectations should begin to decay, resetting headline inflation downward. Thus, yields will remain elevated in the near term due to inflation risks, macroeconomic uncertainty and worsening market sentiments following the Treasury's imminent rollout of the second leg of DDEP.

**Cedi extended a resilient run last week:** The Cedi remained steady last week, closing the week flat on the retail market (+0.8% YTD). The spreads continue to tighten on the retail, with the demand and supply sides almost balancing out in recent weeks. An upbeat budget review later this month, a successful first review of the IMF programme and a successful external debt exchange by the first review in Sept-23 will set the tone for the Cedi's trajectory in 2H23. The Bank of Ghana will also auction US\$120 mn to the BDC segment of the market while sustaining its intraday market surveillance to smoothen intermittent volatility. These interventions should support the Cedi's relative resilience through the 2H23, all other things being equal.

**Treasury achieves 26% oversubscription largely on account of relatively lower issuance target:** The Treasury accepted 95.7% of the bids tendered at last week's T-bill auction with the US\$1.98 bn uptake exceeding the issuance target by 26%, and the refinancing obligation for the week by 19%. We believe the lower issuance target relative to recent auctions underscores the significant oversubscription, with the Treasury's issuance target from this auction even falling below the refinancing obligation for the week.

Regardless, yields continued higher, with the 91-day yield inching 44bps higher to 24.39%, whereas the 182-day and 364-day yields rose by 23bps and 39bps to 26.03% and 29.65%, respectively. The continuous uptick in yields reflects the generally unfavourable market sentiments, with macroeconomic and fiscal uncertainty underpinning the yield surge.

**Secondary Market Activity:** T-bills re-discounting continues to dominate activity on the GFIM, with the GH¢1.08bn traded last week completely dwarfing bond activity on the secondary market. The aggregate bond turnover for the week was a paltry GH¢130 mn (-48.5% w/w | 0.01% of the aggregate volume traded last week). The bonds sold at an average price of 100.13, with 85% of the trades recorded last week either priced at par or at a premium. Thus far, the higher-yielding 364-day bills have dominated activity in the T-bills space, accounting for over 50% of the T-bill value traded last week. It appears domestic investors are strategically positioning their portfolios to lock in the higher yields and minimise near-term portfolio volatility, pending an anticipated correction in yields once the economic and structural policy interventions gain traction.

**T-Bill Auction In The Week Ahead:** The Treasury will be seeking to raise GH¢1.78 bn across the 91-day and 182-day at the next T-bill auction slated for Friday, July 7, 2023, to rollover upcoming T-bill maturities worth GH¢1.68 bn. Given the relatively lower target, we expect the auction to be oversubscribed but at slightly higher yields amidst the uncertain economic outlook and the tightening GHS liquidity conditions.

### Cedi Performance Against Major Currencies

	GH¢	US\$	GB£	€	JP¥	CN¥
<b>Interbank Ref. rate</b>	11.00	14.12	12.05	0.08	1.52	
<b>W/W change</b>	-0.03%	-0.93%	-0.36%	-1.68%	-0.46%	
<b>YTD Change</b>	-22.0%	-26.97%	-24.1%	-16.15%	-18.6%	
<b>Indicative retail rate</b>	11.85	15.15	12.95	1.55	0.08	
<b>W/W change</b>	0.0%	-0.7%	0.0%	0.8%	0.5%	
<b>YTD change</b>	0.8%	-5.3%	-2.7%	-9.5%	-6.0%	

Source: GCB Capital Research, Bank of Ghana, Oanda

### Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	26.22%	26.19%	0.03%
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 (%)	27.98%	26.89%	1.09%

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### T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	24.39%	23.95%	0.44%	24.39%
182-day	26.03%	25.80%	0.23%	26.03%
364-day	29.65%	29.25%	0.39%	29.65%

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### The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	2,068.51	2,393.24	-13.57%
Issuance (GH¢'M)	1,979.94	2,393.24	-17.27%
Target (GH¢'M)	1,575	2,913.00	-45.93%
Maturity (GH¢'M)	1,670	1,738.98	-3.96%
Bid/Cover ratio	1.0447	1.00	n/a
Target coverage	1.26	0.82	n/a
Maturity Coverage	1.19	1.38	n/a

### The Week Ahead

<b>T-bill Issuance Target - (GH¢'mn)</b>	1,778.00	1,575.0	<b>12.89%</b>
<b>Upcoming T-bill Maturities (GH¢'mn)</b>	1,675.15	1,670.12	<b>0.30%</b>

### Secondary Market Activity

<b>Turnover – Bonds GH¢'Bn</b>	0.13	0.26	-48.46%
<b>Turnover – Notes &amp; Bills GH¢'Bn</b>	1,080.45	1,090.42	-0.91%

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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-	IVYCYST 5% 07/23/24	96.41	97.96	8.52%	7.13%
	IVYCYST 6% 06/15/33	83.58	85.01	8.58%	8.35%
	IVYCYST 6% 03/22/48	67.01	68.15	10.36%	10.81%

## Other African Markets Review

**Kenya: Government faces an anxious wait following a freeze on new tax policies targeting about US\$1.4 billion in additional revenue**

The government of Kenya is facing stiff resistance from its citizens in the efforts to roll out new revenue measures to address the growing debt service burden and fund job-creation initiatives.

With this new revenue proposal, the government is seeking to double the fuel tax to 16%, introduce a housing levy of 1.5% for all employees and increase the top tier of the income tax bracket to 35% in the hope of raking in about US\$1.4 Bn in additional revenue. Citizens have since opposed the tax bill, which the president signed into law in June 2023, with a series of protests. The protestants secured a court injunction on June 30, 2023, to stop the policy's rollout.

The government's first attempt to unfreeze the tax policy proved unsuccessful as a Kenyan High Court rejected the application earlier today, indicating that the applicants have raised weighty issues that merit a full hearing. The case is now referred to the Chief Justice to empanel a team of Justices to determine the issues raised. Regardless of the injunction, the government implemented the 8% increase in fuel tax, which will be contested in court in the coming days.

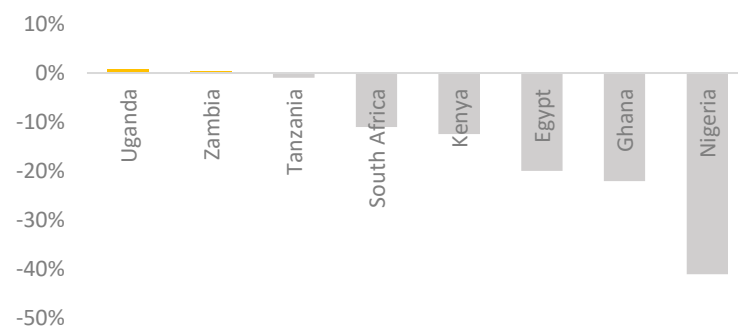
The government of Kenya thus faces an anxious wait as the case goes through a full hearing. Given the prevailing financing uncertainties, a successful application will frustrate the government's efforts to reign in debt and improve its fiscal position.

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%	33.72	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	2.87%	4.89%	-2.02%
South Africa	8.63%	8.70%	-0.07%
Uganda	10.20%	10.31%	-0.11%
Egypt	23.29%	23.29%	0.00%
Kenya	12.01%	11.90%	0.11%
Tanzania	3.96%	3.96%	0.00%
Zambia	9.80%	9.80%	0.00%

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