

November 27, 2023

### Ghana Market Review

#### MPC to Hold Policy rate at 30% Despite the Anticipated Sharp Decline in Inflation

Despite Ghana's pronounced macro-fiscal challenges, an upbeat merchandise trade sector characterised by strong export receipts and declining imports resulted in an 11% y/y increase in the trade balance to a surplus of US\$2 bn in Oct 2023 (2.7% of GDP). The current account surplus also reached US\$ 1.05bn in Sept 2023 (+157% y/y | 1.4% of GDP), thanks to the suspension of external debt service before the conclusion of negotiations on external debt restructuring.

These gains, coupled with the lower deficit on the capital and financial accounts, improved the overall BoP position to a deficit of US\$617 Mn (+7.5% y/y | 1.9% of GDP) and supported FX reserve build-up. Thus, the stable external sector improved the exchange rate outlook in 2023 despite the pronounced reserve vulnerability (Gross reserves covered 1.1 months of import as of Oct 2023), partly supporting the ongoing disinflation process.

Ahead of the MPC press conference later today, we expect the MPC to hold the policy rate at 30% as a signal to firmly anchor inflation expectations despite the anticipated sharp decline in Nov 2023. While both core and headline inflation have declined sharply in recent months, the outlook is still fragile, and inflation is still elevated at 35.2%. Real interest rates and the real policy rate are still negative, and we believe an appropriately tight policy stance is required to anchor the disinflation process firmly. However, the monetary policy stance could pivot by Mar 2024 once headline and core inflation ease sufficiently to around the 20% level.

**Imminent Cocoa loan to steady the Cedi around the Yuletide Season:** After the relatively stable run through the second and third quarters, the Cedi is set to close November on a bearish note as tight liquidity conditions amidst seasonality pressures keep the local unit on the backfoot thus far in Q4 2024. The local unit shaved off 0.19% on the interbank reference market vs the greenback, closing last week with a cumulative depreciation of 26% YTD (-3.9% since Oct 2023). Our retail reference rate also recorded a 0.9% depreciation w/w, extending the bearish run through the last two months.

With the anticipated FX liquidity inflows from the US\$800 Mn annual cocoa loan syndication imminent, the Cedi could trade steadily against the major trading currencies through Dec 2023. If the first review of the IMF programme is completed by Dec 2023, the disbursement of the second tranche of US600 Mn could be timely in supporting the local unit against volatility through Q1 2024.

**T-bill yields beginning to pivot Amidst Continuous Firm Demand:** Last week, the Treasury's offer of 91-day to 364-day bills attracted total demand valued at GH¢5.01 Bn, which exceeded the auction target by about 40%. The Treasury accepted 99.4% of the bids received, translating into 1.39x and 1.49x target and maturity coverage, respectively. Yields continued to trek south, with the 91-day, 182-day and 364-day tenors clearing 24bps, 12bps and 21bps lower to 29.5%, 31,76% and 33.23%, respectively.

**Secondary Market Activity:** Aggregate turnover on the secondary Fixed Income market improved last week. Fixed-income investors traded a total value of GH¢3.52 bn (+50.62% w/w), dominated by bonds which accounted for 58% of the volume traded. The Feb-27 (coupon:8.35%), Feb-29 (coupon: 8.65%), and Feb-29 (coupon:8.5%) tenors traded the most value, priced at deep discounts to face value.

**T-Bill Auction in The Week Ahead:** The next T-bill auction slated for Thursday, November 30, 2023, will target a gross issuance of GH¢5.62 bn (+72% w/w) across the 91-day to 364-day bills to refinance upcoming maturities estimated at GH¢3.45 bn. We believe the Treasury is building liquidity buffers from excess uptakes from the recent issuances against budget financing and liability management obligations early in 2024. While the liquid domestic market can support the target size at the next auction, the expected decline in the clearing yields could moderate, and the Treasury will be accumulating a sizeable refinancing risk into the future.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	11.58	12.67	14.61	0.08	1.62
W/W change	-0.19%	-0.78%	-1.71%	-0.39%	-1.06%
YTD Change	-26%	-29.40%	-37.4%	-16.26%	-23.5%
Indicative retail rate	12.10	13.25	15.15	1.67	0.08
W/W change	-0.9%	-1.5%	-1.0%	-1.6%	-1.2%
YTD change	-1.2%	8.3%	-16.8%	-15.9%	-8.1%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	29.12%	29.12%	0.00%
July-23 Inflation	35.20%	35.20%	0.00%
1-Yr Average Inflation	44.86%	44.86%	0.00%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.03%	-10.52%	0.50%
GRR (%)	32.00%	32.00%	0.0000%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.50%	29.74%	-0.24%	-10.83%
182-day	31.76%	31.88%	-0.118%	-8.34%
364-day	33.23%	33.45%	-0.211%	-8.25%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	5,008.73	3,748.02	33.64%
Issuance (GH¢'M)	4,977.59	3,747.94	32.81%
Target (GH¢'M)	3,587	3,266.00	9.83%
Maturity (GH¢'M)	3,337.96	2,345.24	42.33%
Bid/Cover ratio	1.01x	1.00x	n/a
Target coverage	1.39x	1.15x	n/a
Maturity Coverage	1.49x	1.60x	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	5,618.00	3,266.00	72.01%
Upcoming T-bill Maturities (GH¢'mn)	3,451.74	3,337.96	3.41%

Secondary Market Activity			
Turnover – GoG Bonds GH¢'Bn	2.059	1.167	76.45%
Turnover – GoG Notes & Bills GH¢'Bn	1.46	1.172	24.89%
Turnover – Corporate GH¢'Bn	-	-	-
Aggregate Turnover GH¢'Bn	3.523	2.339	50.62%

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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 8% 01/18/26	37.78	39.9	104.45%	99.74%
	GHA 8% 05/07/42	41.31	42.75	20.47%	19.87%
	GHA8% 03/11/61	41.48	43.17	19.99%	19.25%
Egypt B+/B3/B	EGPT 6.20 03/01/24	97.93	99.06	14.2%	9.76%
	EGPT 6% 04/30/40	56.75	58.15	13.48%	13.15%
	EGPT 7% 02/16/61	55.03	56.10	13.70%	13.45%
Kenya B/B2/B	KENINT 6% 6/24/24	96.49	97.59	13.39%	11.39%
	KENINT 6.3 1/23/34	73.41	74.59	10.64%	10.41%
	KENINT 8% 2/28/48	74.56	75.78	11.34%	11.16%
Nigeria B-/Caa1/B-	NGERIA 7% 11/21/25	97.21	98.28	9.19%	8.59%
	NGERIA 7% 9/28/33	78.28	79.27	11.05%	10.85%
	NGERIA 8% 9/28/51	74.43	75.42	11.27%	11.12%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	99.62	99.84	7.33%	5.74%
	SOAF 5 10/12/46	65.41	66.37	8.44%	8.31%
	SOAF 7.3 04/20/52	84.24	84.86	8.82%	8.75%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	97.96	99.12	8.62%	6.74%
	IVYCST 6% 06/15/33	86.23	87.30	8.24%	8.06%
	IVYCST 6% 03/22/48	73.35	74.33	9.45%	9.32%

## Other African Markets Review

### Nigeria: CBN Announces the Adoption of Explicit Inflation Targeting Framework

The Governor of the Central Bank of Nigeria (CBN), Olayemi Cardoso, laid down the marker for the CBN under his administration in a keynote address delivered at the Chartered Institute of Bankers of Nigeria (CIBN) 's 58th Annual Bankers' Dinner and Grand Finale of the Institute's 60th Anniversary held over the weekend.

The governor hinted at an imminent capitalisation directive to support the US\$1 trillion economy envisioned by the Bola Tunubu-led government and the adoption of an explicit Inflation Targeting (IT) framework to enhance the effectiveness of monetary policy. According to the governor, this shift in policy focus followed a critical review of the effectiveness of the CBN's monetary policy tools and adjustments to the transmission mechanism to ensure policy effectiveness. Following the review, the CBN rolled out several interventions in the OMO market and the Treasury, which enhanced visibility and control of currency in circulation, underpinning the slowing pace of headline inflation.

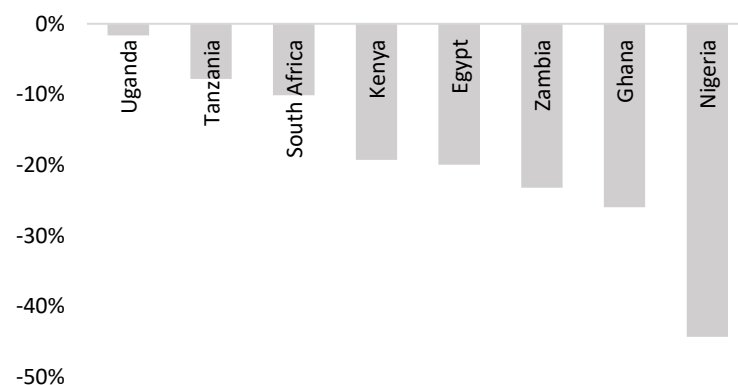
The governor admitted that the CBN strayed from its core mandate and indicated that the bank would focus on achieving price stability, fostering sustainable economic growth, stabilising the naira exchange rate, and reducing interest rates to facilitate borrowing and investments in the real sector. The governor also committed to harmonising FX market rules by developing guidelines and legislation in consultation with sector players. These pronouncements promise transparent, functional and efficient financial markets in Nigeria going forward, which bodes well for investor confidence. We expect the ongoing initiative to clear unsettled forward FX obligations will enhance FX liquidity, tighten spreads on the parallel market, and improve the inflation outlook.

Ghana Economic Events Calendar for November - 2023		
Event	Due date	Expectations
October -23 CPI	Nov 13, 2023	CPI inflation to record marginal decline
BDCs forward FX auction	Nov 14, 2023	BoG expected to forward sell US\$20m
2024 Budget Presentation	Nov 15, 2023	Fin. Minister to present budget to parliament
October -23 PPI	Nov 16, 2023	PPI to decline further
MPC Meeting	Nov 22 – 24, 2023	Review economy and decide MPR
MPR Decision	Nov. 27, 2023	MPC to maintain MPR at 30%
BDCs forward FX auction	Nov 14, 2023	BoG expected to forward sell US\$20m

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.80	-0.29%	38.94	-1.13%
Kenya	152.81	-0.38%	166.60	-0.78%	191.65	-1.32%
Nigeria	805.60	1.81%	880.45	1.28%	1014.42	0.41%
S. Africa	18.90	-2.71%	20.62	-3.39%	23.70	-3.86%
Tanzania	2507.0	-0.54%	2738.2	-1.95%	3152.71	-2.64%
Uganda	3787.0	-0.54%	4130.5	-2.71%	4749.27	-3.05%
Zambia	15.42	-1.50%	25.69	-1.97%	29.59	-2.61%

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	8.00%	7.00%	1.00%
South Africa	8.45%	8.48%	-0.03%
Uganda	10.00%	9.31%	0.69%
Egypt	25.63%	25.56%	0.07%
Kenya	15.44%	15.29%	0.16%
Tanzania	7.77%	7.77%	0.00%
Zambia	9.45%	9.45%	0.00%

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