

October 03, 2023

Ghana Market Review

MPC keeps the Monetary Policy Rate at 30% amidst a broad-based decline in the August inflation print: The Monetary Policy Committee (MPC) of the Bank of Ghana, at its Sept-23 monetary policy meeting, held the policy rate unchanged at 30%. The decision follows a 3% decline in headline inflation for Aug-23 to 40.1% (-14% YTD) after three consecutive months of increase in inflation. The decline was broad-based, with all the core measures of inflation, which strips out the volatile food and energy prices, recording sharp declines for the period.

In the Committee's view, the general macroeconomic conditions are improving amidst a relatively stable growth and exchange rate environment. While acknowledging near-term risks to inflation from rising petroleum prices and the utility tariff adjustments, the MPC believes the decline in inflation reflects the tight monetary stance and expects the disinflation trend to continue. Thus, the committee expects a sustained improvement in the growth, inflation and exchange rate outlook to restore consumers' real income and purchasing power over time.

The 3% decline in headline inflation in Aug-23 commences a disinflationary trend that could run through Q4-23 despite the emerging upside risks to inflation. The main driver of inflation, food inflation, declined for the first time in five months, thanks to the impact of the main crop harvest season. This decline and the continuous easing of non-food inflation triggered the broad-based decline in overall inflation in August. We flag the rising petroleum prices, potential Cedi volatility around the Yuletide season, and the quarterly utility tariff adjustments as upside risks to inflation in the near term. However, we expect the harvest-induced decline in food inflation to continue through Sept-23 and, together with the stable Cedi, the tight monetary policy stance, and the anticipated favourable base drift in Q4-23, should sustain the disinflation process, barring any severe shocks in the near term.

Rising Corporate FX demand pinned the Cedi back last week: Corporate FX demand remains firm on the retail FX market relative to offers, underpinning the simmering depreciation pressures in recent weeks. The local unit opened the week quoted around GH¢11.55/11.60, with demand from the corporates and the BDCs nudging the USD GHS pair to GH¢11.62/11.69 at the week's close. While the stock of FX reserve remains vulnerable, the current account is in surplus, thanks to the suspended interest payment on external debts, which has partly supported the Cedi to stability.

Treasury successfully rolls over maturing T-bills despite recording marginal undersubscription relative to target: Last week's auction attracted total demand worth GH¢2.50 bn (-23.11% w/w) against an issuance target of GH¢2.57 bn (-2.58% w/w). The Treasury accepted all the bids tendered to rollover maturities estimated at GH¢2.40 bn due today, October 2, 2023. The uptake covered 97% of the auction target and exceeded the maturity obligation for the week by 4%. All three tenors cleared at higher rates at the auction, with the 91, 182 and 364-day bills clearing at 28.5% (+29 bps w/w), 30.68% (+24bps w/w) and 32.51% (+32bps w/w), respectively.

Secondary Market Activity: While the volume of bonds traded on the Secondary market last week dipped to GH¢401 mn (-22.78%), the aggregate volume increased by 17.3% w/w to GH¢2.27 bn, thanks to the nearly 41% increase on the T-bill trades recorded last week. Bond prices remain depressed, with the new bonds trading at deep discounts across the LCY curve.

T-Bill Auction in The Week Ahead: The T-bill auction slated for Friday, September 6, 2023, is targeting a gross issuance of GH¢2.11bn (-17.94% w/w) across the 91-day to 364-day bills to roll over about GH¢1.97 bn in upcoming maturities. Given the relatively smaller size, the auction could be significantly oversubscribed, and the benchmark 91-day yield could breach 29% at this auction.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.13	13.59	11.78	0.07	1.52
W/W change	-0.49%	-0.17%	0.19%	0.27%	-0.50%
YTD Change	-22.9%	-12.44%	-22.4%	-12.89%	-18.7%
Indicative retail rate	11.65	14.35	12.45	1.58	0.08
W/W change	-0.4%	0.7%	0.0%	-0.5%	0.6%
YTD change	2.6%	0.0%	1.2%	-11.2%	-5.1%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	27.50%	27.46%	0.04%
July-23 Inflation	40.10%	40.10%	0.00%
1-Yr Average Inflation	45.22%	45.22%	0.00%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.48%	-10.48%	0.00%
GRR (%)	30.29%	30.29%	0.00%

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	28.80%	28.50%	0.29%	-11.31%
182-day	30.92%	30.68%	0.24%	-8.93%
364-day	32.82%	32.51%	0.32%	-8.54%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,499.88	3,251.42	-23.11%
Issuance (GH¢'M)	2,499.88	3,096.14	-19.26%
Target (GH¢'M)	2,570	2,585.00	-0.58%
Maturity (GH¢'M)	2,398.47	2,414.86	-0.68%
Bid/Cover ratio	1.0000	1.05	n/a
Target coverage	0.97	1.20	n/a
Maturity Coverage	1.04	1.28	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,109.00	2,570.00	-17.94%
Upcoming T-bill Maturities (GH¢'mn)	1,966.60	2,398.47	-18.01%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.401	0.606	-33.78%
Turnover – Notes & Bills GH¢'Bn	1.87	1.333	40.51%

GCB Capital Research | Bank of Ghana

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 8% 01/18/26	46.45	47.63	47.41%	45.95%
	GHA 8% 05/07/42	41.94	43.06	21.45%	20.93%
	GHA8% 03/11/61	41.73	43.52	19.37%	18.63%
Egypt B+/B3/B	EGPT 4.55 11/20/23	98.00	99.11	20.27%	11.41%
	EGPT 6% 04/30/40	50.51	51.92	14.68%	14.68%
	EGPT 7% 02/16/61	49.41	50.57	15.24%	14.89%
Kenya B/B2/B	KENINT 6% 6/24/24	91.915	93.05	19.35%	17.48%
	KENINT 6.3 1/23/34	65.60	66.69	12.26%	12.02%
	KENINT 8% 2/28/48	67.09	68.25	11.41%	11.20%
Nigeria B-/Caa1/B-	NGERIA 7%11/21/25	95.08	96.02	10.25%	9.73%
	NGERIA 7% 9/28/33	72.69	73.78	12.17%	11.94%
	NGERIA 8% 9/28/51	67.84	68.93	12.37%	12.18%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	99.08	99.29	7.88%	7.12%
	SOAF 5 10/12/46	60.39	61.44	9.155%	8.99%
	SOAF 7.3 04/20/52	77.48	78.17	9.63%	9.54%
Cote Ivoire BB-/Ba3/BB-	IVYCYST 5% 07/23/24	97.22	98.28	9.03%	9.61%
	IVYCYST 6% 06/15/33	81.80	82.86	8.97%	8.79%
	IVYCYST 6% 03/22/48	67.47	68.37	10.30%	10.16%

Other African Markets Review

Egypt Seals FX swap Arrangement with UAE, Pursues another with China

Egypt's post-IMF exchange rate reforms continue to challenge the economy, leading to acute FX squeeze, all-time high inflation and investor uncertainty, fueling bearish sentiments on the local market. To shore up its currency reserves, ease FX liquidity crises and kick on with the much-needed economic and structural reforms under the ongoing IMF programme, the government of Egypt and the United Arab Emirates signed a local currency swap deal worth US\$1.4 bn last week.

In the joint statement announcing the transaction, Egypt will swap up to EGP 42 billion for about AED 5 bn. The Central Bank of Egypt also negotiates with China for a currency swap arrangement. A Yuan-denominated bond may be another layer of intervention to resolve the pronounced currency crisis.

Ahead of the presidential elections in December 23, urban inflation in Egypt is at an all-time high. While the IMF and investors expect another round of Pound devaluation amidst the pent-up demand and the lingering market concerns, an immediate pound devaluation before the elections is unlikely. With the IMF set for a joint first and second review of the Egypt programme, continuing the exchange rate reforms could dominate the conversations.

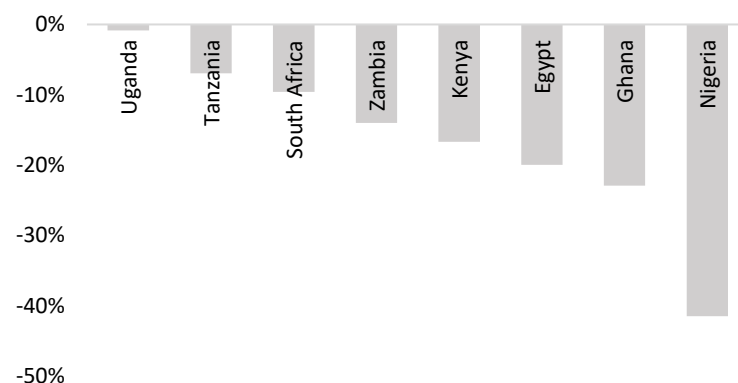
Restoring investor confidence and a successful completion of the programme supported by the Extended Fund Facility hinges, in part, on the exchange rate reforms envisaged under the programme. Thus, continuing the exchange rate reforms could regain prominence post-elections, and we expect the heightened depreciation pressure to keep headline inflation elevated.

Ghana Economic Events Calendar for September- 2023		
Event	Due date	Expectations
S&P Global PMI	Sept 5, 2023	Marginal growth in PMI
Aug-23 CPI	Sept. 13, 2023	Inflation could increase marginally
BDCs forward auction	Sept. 14, 2023	BoG expected to forward sell US\$20m
Aug-23 PPI, Q2-23 GDP	Sept. 20, 2023	PPI to continue the decline
Sept MPC meeting	Sept. 20 – 22,	Analysis of economy and monetary policy
Sept. MPC press conf.	Sept. 25. 2023	Rate-neutral decision
IMF staff review	From 25 th Sept	First review of the ECF and staff report
BDCs forward auction	Sept. 29, 2023	BoG expected to forward sell US\$20m

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	32.66	0.78%	37.69	0.33%
Kenya	148.10	-0.50%	156.00	0.60%	180.56	0.26%
Nigeria	766.97	-1.31%	809.61	-0.33%	935.32	-0.65%
S. Africa	18.78	0.34%	19.92	0.66%	23.01	0.35%
Tanzania	2482.5	-0.47%	2627.9	-0.05%	3027.91	-0.03%
Uganda	3757.9	-0.10%	3977.4	0.51%	4595.99	0.28%
Zambia	15.42	-0.17%	22.28	0.35%	25.77	-0.17%

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	6.50%	6.50%	0.00%
South Africa	8.37%	8.26%	0.11%
Uganda	9.58%	10.38%	-0.81%
Egypt	25.15%	25.15%	0.00%
Kenya	14.82%	14.79%	0.03%
Tanzania	4.98%	4.98%	0.00%
Zambia	9.50%	9.50%	0.00%

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

Michelle Nana Ohenewaa Kitson-Amoah
Associate, Advisory & Capital Markets
+233302945848 | +233302945838
mnodadey@gcb.com.gh

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@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