

October 9, 2023

### Ghana Market Review

**Ghana Concludes First Review of the Extended Credit Facility Pending the IMF Board's Approval:** The government of Ghana reached a staff-level agreement with the IMF mission team on the first review of Ghana's programme supported by the Extended Credit Facility (ECF) pending the Executive Board's approval. The review examined performance across six quantitative performance criteria, three indicative targets and the three structural benchmarks due in June 23.

The IMF Mission statement acknowledged progress in programme implementation thus far relative to the targets and the benchmarks, resulting in declining inflation, a relatively stable exchange rate and more resilient growth than envisaged under the programme. The mission statement also notes the strong and frontloaded fiscal performance over the review period, supported by the structural fiscal reforms, which bolstered domestic revenue mobilisation and improved spending efficiency and transparency in fiscal and debt management.

However, the IMF Board's approval of the first review and the subsequent disbursement of the next tranche of the official support under the programme worth SDR 451.4 million (about US\$ 600 Mn) hinges on progress with official debt restructuring under the Common Framework. The government has missed its initial timeline of end-September 2023 for securing an agreement on the terms and parameters of debt structuring. The Ghanaian authorities must now push to sign the Memorandum of Understanding with the official creditors ahead of the Board's meeting to consider Ghana's review in November 2023. Thus, while the Staff-level agreement supports market confidence in the immediate term, Ghana is now racing against time to secure a deal with official creditors for the IMF Board's approval meeting on the 23. Further delays in securing Board approval and the subsequent delay in disbursement under the programme will complicate the funding options of the 2023 budget.

**The GHS closed Trading Weaker Amidst Rising Corporate FX Demand Pressure:** Rising FX demand over the last fortnight from large corporates and the energy sector resulting from maturing LCs has put the local unit under pressure vs the USD. The local unit ceded 0.9% vs the USD on both the interbank and retail markets last week after opening the week around GH¢11.65/11.69. FX offers on the market were limited, with the Bank of Ghana intervening with about US\$2.5 mn around the GHS 11.6 to GHS 11.65 levels.

While the Staff-Level Agreement on the first review of the IMF programme lends support to the BoP outlook, further delay in sealing the Memorandum of Understanding (MOU) with official creditors has negative implications for the near-term exchange rate outlook amidst potential seasonality pressures.

**The 91-day yield climbed past 29% despite 22% oversubscription last week:** The last T-bill auction raked in GH¢2.63 bn (+5.06% w/w) across the 91-day to 364-day bills on offer against an issuance target of GH¢2.11bn (-17.94% w/w). The Treasury accepted 98% of the bids worth GH¢2.58 bn due today, October 2, 2023. The uptake covered 97% of the auction target and exceeded the maturity obligation for the week by 43%. Regardless of the oversubscription, nominal yields climbed across the tenors, with the benchmark 91-day yield breaching 29% (40bps) along with 182-day (30.92% |0.30bps) and 364-day (32.82% |19bps) bills.

**Secondary Market Activity:** While the value bonds traded on the GFIM increased by 45.3% w/w to GH¢ 58 mn, trades in T-bills dipped by 60.1% w/w reducing the aggregate turnover on the secondary fixed income market to GH¢ 1.33bn at the close of last week (-41.5% w/w). The clearing yields pointed generally northwards amidst the subdued activity on the market.

**T-Bill Auction in The Week Ahead:** The next T-bill auction is targeting a gross issuance of GH¢2.24bn (+6.4% w/w) across the 91-day to 364-day bills to roll over about GH¢2.09bn (+6.23) in upcoming maturities. We expect a further decline in Sept-23 inflation due later this week, which could slow down increases in the T-bill yields at the next auction.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.23	13.74	11.88	0.08	1.54
W/W change	-0.89%	-1.07%	-0.87%	-1.06%	-0.86%
YTD Change	-23.6%	-13.21%	-23.0%	-13.81%	-19.4%
Indicative retail rate	11.75	14.40	12.45	1.59	0.08
W/W change	-0.9%	0.0%	0.0%	-0.5%	-1.0%
YTD change	1.7%	-0.3%	1.2%	-11.6%	-6.1%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	28.46%	27.50%	0.96%
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 (%)	31.09%	30.29%	0.80%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.19%	28.80%	0.40%	-11.04%
182-day	31.22%	30.92%	0.30%	-8.72%
364-day	33.02%	32.82%	0.19%	-8.40%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,626.30	2,499.88	5.06%
Issuance (GH¢'M)	2,576.60	2,499.88	3.07%
Target (GH¢'M)	2,109	2,570.00	-17.94%
Maturity (GH¢'M)	1,966.60	2,398.47	-18.01%
Bid/Cover ratio	1.0193	1.00	n/a
Target coverage	1.22	0.97	n/a
Maturity Coverage	1.31	1.04	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,243.00	2,109.00	+6.35%
Upcoming T-bill Maturities (GH¢'mn)	2,089.58	1,966.60	+6.25%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.583	0.401	45.26%
Turnover – Notes & Bills GH¢'Bn	0.75	1.873	-60.13%

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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 8% 01/18/26	45.48	46.96	46.73%	44.95%
	GHA 8% 05/07/42	41.23	42.64	21.472%	20.82%
	GHA8% 03/11/61	40.81	42.96	21.40%	20.33%
Egypt B+/B3/B	EGPT 4.55 11/20/23	97.69	98.81	15.93%	10.35%
	EGPT 6% 04/30/40	51.29	57.99	14.83%	14.43%
	EGPT 7% 02/16/61	50.34	51.43	14.96%	14.65%
Kenya B/B2/B	KENINT 6% 6/24/24	94.45	95.76	14.43%	12.58%
	KENINT 6.3 1/23/34	71.98	73.28	10.87%	10.61%
	KENINT 8% 2/28/48	74.12	75.50	11.41%	11.20%
Nigeria B-/Caa1/B-	NGERIA 7% 11/21/25	95.19	96.19	10.09%	9.57%
	NGERIA 7% 9/28/33	76.90	78.01	11.27%	11.05%
	NGERIA 8% 9/28/51	71.71	72.85	11.70%	11.52%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.99	99.25	7.48%	6.73%
	SOAF 5 10/12/46	65.57	66.72	8.40%	8.25%
	SOAF 7.3 04/20/52	83.83	84.62	8.86%	8.77%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	97.10	98.65	8.85%	6.97%
	IVYCST 6% 06/15/33	85.26	86.65	8.36%	8.13%
	IVYCST 6% 03/22/48	69.99	70.93	9.92%	9.78%

## Other African Markets Review

### Egypt: Moody's Downgrades Egypt's Sovereign Issuer Default Risk a Notch Down to Caa1; Maintains a Stable Outlook

Moody's Investor Service downgraded Egypt's foreign currency Issuer default risk a notch lower to Caa1 from (B3) with a stable outlook. The prevailing macroeconomic challenges, FX scarcity and concerns about debt sustainability underscored the latest rating decision.

Egypt's USD bonds plummeted sharply after the downgrade. At Caa1, Egypt is rated seven (7) notches below investment grade, with inflation at a multi-year high following the sharp depreciation of the Pound under the current IMF-supported programme.

The stable outlook reflects Egypt's continued access to financial support from the IMF under the 46-month arrangement supported by the Extended Fund Facility (EFF). The agency also expects the proceeds from the sale of assets at the central bank to help restore the economy's foreign currency liquidity buffer in the near term.

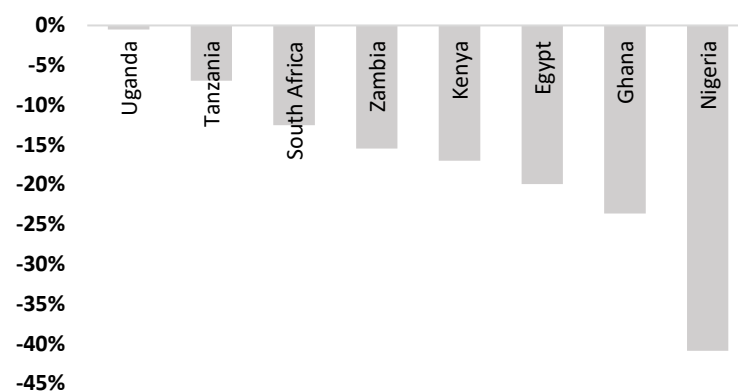
Egypt remains effectively shut out of the International Capital Market (ICM), and the downgrade could further heighten domestic borrowing costs ahead of the Dec-23 general elections. With the persistent currency pressures, inflation could run hotter through the fourth quarter.

Ghana Economic Events Calendar for October- 2023		
Event	Due date	Expectations
Completion of IMF staff review	Oct 6, 2023	Staff-level agreement on the first review of the ECF
BDCs forward auction	Oct 11, 2023	BoG expected to forward sell US\$20m
September -23 CPI	Oct 11, 2023	Inflation to continue the decline
Sept.-23 PPI	Oct. 18, 2023	PPI to decline further
BDCs forward auction	Sept. 20, 2023	BoG expected to forward sell US\$20m

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	32.71	-0.15%	37.81	-0.33%
Kenya	148.69	-0.40%	156.37	-0.23%	180.47	0.05%
Nigeria	759.21	1.02%	800.89	1.09%	926.16	0.99%
S. Africa	19.42	-3.28%	20.48	-2.73%	23.69	-2.86%
Tanzania	2481.8	0.03%	2609.3	0.71%	3011.00	0.56%
Uganda	3747.3	0.28%	3948.2	0.74%	4561.25	0.76%
Zambia	15.42	-1.74%	22.45	-0.76%	25.93	-0.62%

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	8.47%	8.37%	0.10%
Uganda	9.58%	9.58%	0.00%
Egypt	25.15%	25.15%	0.00%
Kenya	14.87%	14.82%	0.05%
Tanzania	6.03%	4.98%	1.05%
Zambia	9.45%	9.50%	-0.05%

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