

September 11, 2023

Ghana Market Review

August inflation could print higher and potentially sustain the uptick in yields given the Treasury's continuous reliance on short-term funds: Ahead of the August 2023 inflation release at midweek; we expect Ghana's headline inflation to increase for the fourth consecutive month following the reversal in the inflation trend since May-23. Inflation has increased since May 23, induced by the price effects of new revenue interventions, upward utility tariff adjustments and food price pressures. While the effect of the revenue measures may be wearing out, the relentless food prices have sustained the upward inflation pressure and moderated the impact of a favourable base drift since May 23.

In response to the high inflation risks, negative real returns on fixed-income investments and the prevailing market uncertainties, investors have continuously demanded higher yields at the T-bill auction, partly reversing interest savings from the sharp compression in T-bill yields post-DDEP. The Treasury's post-DDEP yield compression strategy had trimmed interest rate on the 91-day tenor by about 17% from 35.75% pre-DDEP to 18.53% by March 20, 2023. Beyond April, however, the continued reliance on money market borrowing amidst the limited external funding sustained the uptick in yields, and investors demanded appropriate compensation against the prevalent macroeconomic and fiscal uncertainties in the immediate term. The average weighted T-bill clearing yields now range between 27.8% and 32% and could continue higher for as long as inflation remains a concern and the Treasury's appetite for short-term funds remains firm.

Cedi closed trading weaker for the third consecutive week amidst rising corporate FX demand: The Cedi closed another trading week marginally weaker versus the USD on both the interbank and retail market segments, extending the bearish trend over the last three weeks. We note a surge in corporate FX demand during the week amidst the broad-based global rally of the greenback and the thin FX liquidity conditions on the domestic market, underscoring the Cedi's wobble.

The local unit opened the week quoted at the GHS 11.50/11.55 levels but inched lower to the GHS 11.54/11.58 levels at the week's close, supported by the BoG's spot market liquidity intervention valued around US\$3 mn last week. Later this week, the Treasury will auction the next instalment of the US\$ 20 million to the BDCs at the forward auction. The updated BDCs forward FX auction calendar for Q4 2023 also shows a continuation of the auction programme at the same pace of US\$40 mn per month, which, together with the intra-day volatility smoothing, should hold the Cedi within a predictable band. However, continuous stability through the seasonal pressures in Q4 2023 hinges on a successful first review of the IMF programme, related tranche disbursement, and other catalytic concessional financing tied to the programme.

T-bill yields continued higher despite the relatively lower target size on offer: The Treasury attracted total demand worth GH¢2.95 bn at last week's T-bill auction (-16.51% w/w) against an auction target of GH¢2.60 bn and an upcoming maturity obligation of GH¢2.43 bn. The Treasury accepted 98.7% of the bids tendered, which exceeded the auction target by 12%, and the maturities due today, September 11, 2023, by 19%. Again, the auction cleared at higher yields across the 91-day (+43bps w/w), 182-day (+41bps w/w) and 364-day (31bps w/w) to 27.79%, 28.71% and 31.97%, respectively.

Secondary Market Activity: The volume of bonds traded on the secondary fixed income market picked up last week, recording an aggregate volume of GH¢218 mn (+296.3% w/w). Overall, market turnover for bills and bonds was GH¢1.51 bn, dominated by T-bills, which accounted for about 86% of the aggregate value traded last week.

T-Bill Auction in The Week Ahead: The next T-bills auction is targeting a gross issuance worth GH¢3.76 bn across 91-day to 364-day bills (+44.5% w/w) to rollover upcoming maturities estimated at GH¢3.51bn. With the larger target size, investor demand could underwhelm, with the 91-day yield potentially reaching 28%.

Cedi Performance Against Major Currencies

	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.05	13.88	11.88	0.08	1.52
W/W change	-0.28%	-0.27%	-0.06%	-0.26%	-0.42%
YTD Change	-22.4%	-13.23%	-23.0%	-14.04%	-18.3%
Indicative retail rate	11.58	14.60	12.60	1.56	0.08
W/W change	-0.2%	1.0%	0.4%	0.5%	0.9%
YTD change	3.0%	-1.4%	0.4%	-9.6%	-5.0%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	27.30%	27.11%	0.19%
July-23 Inflation	43.10%	43.10%	0.00%
1-Yr Average Inflation	44.70%	44.70%	0.00%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.16%	-10.16%	0.00%
GRR (%)	30.29%	29.28%	1.01%

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T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	27.79%	27.36%	0.43%	-11.10%
182-day	29.12%	28.71%	0.41%	-10.18%
364-day	31.97%	31.66%	0.31%	-8.19%

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The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	2,944.71	3,526.83	-16.51%
Issuance (GH¢'M)	2,907.27	3,526.83	-17.57%
Target (GH¢'M)	2,601	3,064.00	-15.11%
Maturity (GH¢'M)	2,434.18	2,797.66	-12.99%
Bid/Cover ratio	1.0129	1.00	n/a
Target coverage	1.12	1.15	n/a
Maturity Coverage	1.19	1.26	n/a

The Week Ahead

T-bill Issuance Target - (GH¢'mn)	3,759.00	2,601.00	44.52%
Upcoming T-bill Maturities (GH¢'mn)	3,514.47	2,434.18	44.38%

Secondary Market Activity

Turnover – Bonds GH¢'Bn	0.218	0.055	296.29%
Turnover – Notes & Bills GH¢'Bn	1.29	1.600	-19.37%

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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

Nigeria: CBE rolls out an ambitious plan to clear the backlog of FX demand in a fortnight; discloses FX indebtedness that triggered concerns about reserve resilience.

The updated numbers on Nigeria's external balances highlight prevalent external risks and policy challenges related to setbacks in ongoing reforms, which, if left unattended, could heighten Nigeria's external vulnerabilities and prolong the NGN's bearish run and the resultant inflationary pressures.

In its audited financial statement published on the Central Bank of Nigeria (CBE) 's website, the APEX bank disclosed US\$13 bn debt owed to JP Morgan and Goldman Sachs in securities lending arrangement in 2022. Additionally, the CBN holds about US\$6.8 bn in short-term liability from Foreign currency payables, along with FX swap arrangements totalling over US\$30 bn. While the increased transparency is positive for market confidence, it is uncertain whether the security lending and these short-term liabilities constitute a pledge on Nigeria's foreign assets.

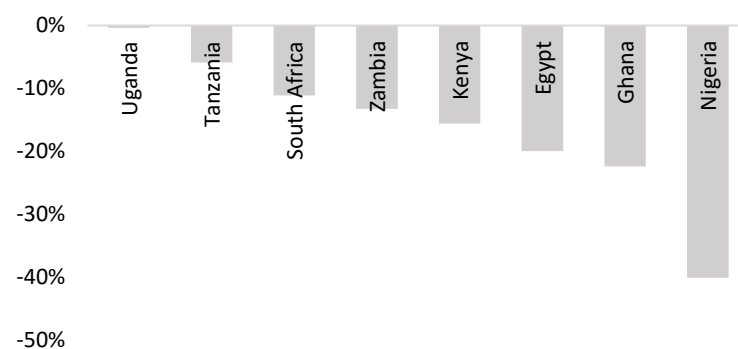
The latest external data shows more than a US\$3 bn decline in Nigeria's gross FX reserves thus far in 2023 to about US\$34 bn at the end of Aug-2023, reflecting increasing reserve vulnerabilities. Against this backdrop, the CBN's ambitious plan to clear the backlog of FX demand is estimated at US\$10 bn over a fortnight, while welcome, is a curious case. While this scale of FX liquidity intervention could, on the one hand, trigger positive sentiments in the economy and eliminate the FX barriers to investing in Nigeria, it could further deepen the concerns about FX reserve vulnerabilities in Nigeria.

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
BDCs FX Auction	Sept. 29, 2023	BoG expected to forward sell US\$20m
IMF staff review	From 25 th Sept	First review of the ECF and staff report

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.06	0.70%	38.51	0.99%
Kenya	146.14	-0.43%	156.39	1.15%	182.17	1.29%
Nigeria	748.36	-1.05%	802.61	-0.22%	986.16	-5.22%
S. Africa	19.11	-1.81%	20.48	-0.60%	23.88	-0.39%
Tanzania	2452.4	-0.35%	2622.3	1.30%	3054.44	1.46%
Uganda	3739.6	-0.54%	4007.3	0.64%	4669.99	0.82%
Zambia	15.42	-2.55%	22.30	-1.07%	26.00	-0.92%

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	5.00%	5.00%	0.00%
South Africa	8.44%	8.38%	0.06%
Uganda	10.38%	10.38%	0.00%
Egypt	24.77%	24.70%	0.07%
Kenya	13.73%	13.48%	0.26%
Tanzania	4.76%	4.54%	0.22%
Zambia	9.50%	9.55%	-0.05%

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