

August 14, 2023

### Ghana Market Review

**GoG, COCOBOD extend offer period for the domestic USD bonds and Cocoa bills alternative debt exchange by a fortnight:** The Government of Ghana (GoG) and COCOBOD have extended their alternative debt exchange offers targeting US\$809 mn worth of USD-denominated domestic bonds and GH¢7.93 Bn worth of Cocoa bills following the expiration offers on August 4, 2023.

The extension allows the institutional investors (mostly the Banks) to secure internal approvals to participate in the offers. The new expiration date for the offer is Friday, August 18, 2023, with the announcement and settlement dates slated for the 21<sup>st</sup> and 25<sup>th</sup> of August, respectively, and a longstop date slated for August 28, 2023. The terms of the two offers are unchanged, and the offers have gone by quietly thus far relative to the initial DDEP. With the two-week window allowing target investors ample time to complete all administrative processes, we expect near-optimal participation in the offers at the institutional level.

Separately, Ghana's headline inflation for Jul-23 came in 60bps higher to 43.1%, reflecting the elevated food price pressures and the lagged impact of revenue and utility tariff adjustments. While we expect inflation to resume the downward path in Q4 2023, the near-term risks could keep the monetary policy elevated, with the resultant high-interest rate environment potentially stifling credit growth. Given the limited flow of concessional financing through 1H23, the Treasury has revised its financing plan for 2023, targeting net domestic funding of about GH¢46.9 bn (compared to zero net-domestic funding in the initial budget). Given the significantly shortened risk appetite, this funding operation will likely be at the front end of the LCY curve, which will further elevate short-term financing costs and reduce interest savings from DDE.

**Cedi could enjoy an extended stable run ahead of the first review of the IMF programme in Sept-23:** The local unit held firmly against all the major trading currencies on the retail market last week, closing the week with 1% appreciation vs the USD. We recorded a similar trend on the interbank market as the Cedi was broadly unchanged vs the USD and the Euro but recorded marginal appreciation against the GBP, the Japanese Yen and the Renminbi. The ongoing reforms continue to calm market sentiments, and the Cedi may be set for an extended run of stability ahead of the first review of the programme in Sept-23.

**T-bill auction oversubscribed by 15.3% despite the large target size on offer last week:** Last week's T-bill offer attracted total bids worth GH¢3.54 bn (+62.3% w/w) against the auction target of GH¢3.07 bn. The Treasury accepted 99.2% of the bids valued at GH¢3.51 bn, which exceeded the auction target and the refinancing obligation for the week by 14% and 22%, respectively. With the significant size on offer, yields increased, with the 91-day yield crossing the 26% mark at the auction. The 182-day and the 364-day bills also crept 32bps and 21bps higher to 27.6% and 30.7%, respectively

**Secondary Market Activity:** Activity on the secondary fixed income market plummeted last week across bills and bonds, with the aggregate volume of GH¢0.528mn which is 55% lower relative to the preceding week. The secondary bonds market recorded only six trades valued at GH¢4.8mn, comprising four (4) old bonds and two (2) new bonds as sentiments dip on the market amidst the ongoing alternative DDE offers.

**T-Bill Auction in The Week Ahead:** About GH¢2.5 bn is set to mature across 91-day and 182-day bills on Monday, August 21, 2023. However, the Treasury is targeting GH¢3.97 bn at the next T-bill auction slated for Friday, August 18, 2023, which is 62.9% higher than the refinancing obligation for the week (+29.4% w/w). With this significantly higher target size relative to the rollover obligation, the Treasury may either seek to raise new financing or convert some bond holdings of individuals and pensioners bondholders into T-bills. The larger size could affect pricing, and we expect a pronounced yield increase due to the relatively larger size on offer.

Cedi Performance Against Major Currencies						
	GH¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.00	13.96	12.05	0.08	1.52	
W/W change	-0.01%	0.21%	-0.05%	1.98%	0.97%	
YTD Change	-22.1%	-26.14%	-24.1%	-14.49%	-18.6%	
Indicative retail rate	11.43	14.55	12.55	1.55	0.08	
W/W change	1.0%	0.7%	0.4%	0.6%	1.0%	
YTD change	4.5%	-1.4%	0.4%	-9.0%	-5.1%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	26.41%	26.36%	0.05%
April-23 Inflation	43.10%	42.50%	0.60%
1-Yr Average Inflation	44.70%	43.75%	0.95%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.16%	-9.57%	-0.59%
GRR (%)	29.28%	29.28%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	26.09%	25.57%	0.52%	26.09%
182-day	27.60%	27.28%	0.32%	27.60%
364-day	30.70%	30.49%	0.21%	30.70%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,535.76	2,179.14	62.25%
Issuance (GH¢'M)	3,507.87	2,178.74	61.00%
Target (GH¢'M)	3,065	2,261.00	35.56%
Maturity (GH¢'M)	2,879.94	2,126.15	35.45%
Bid/Cover ratio	1.0080	1.00	n/a
Target coverage	1.14	0.96	n/a
Maturity Coverage	1.22	1.02	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	3,966.00	3,065.00	29.40%
Upcoming T-bill Maturities (GH¢'mn)	2,450.45	2,879.94	-14.91%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.048	0.419	-88.50%
Turnover – Notes & Bills GH¢'Bn	0.48	0.755	-36.02%

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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	52.23	52.87	598.58%	583.5%
	GHA 8% 05/07/42	37.8	39.21	22.228%	21.53%
	GHA8% 03/11/61	37.60	39.38	22.107%	21.16%
Egypt B+/B3/B	EGPT 4.55 11/20/23	98.13	99.24	8.95%	6.303%
	EGPT 6% 04/30/40	56.34	57.99	13.493%	13.11%
	EGPT 7% 02/16/61	52.49	53.60	14.351%	14.06%
Kenya B/B2/B	KENINT 6% 6/24/24	92.638	93.943	14.810%	13.34%
	KENINT 6.3 1/23/34	73.041	74.341	10.587%	10.34%
	KENINT 8% 2/28/48	75.032	76.432	11.259%	11.05%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	99.24	100.26	15.228	13.18%
	NGERIA 7% 9/28/33	74.13	75.25	11.771%	11.54%
	NGERIA 8% 9/28/51	69.72	70.84	12.026%	11.84%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.03	99.38	6.329%	5.734%
	SOAF 5 10/12/46	66.49	67.50	8.261%	8.128%
	SOAF 7.3 04/20/52	84.08	84.71	8.831%	8.761%
Cote Ivoire BB-/Ba3/BB-	IVYCYST 5% 07/23/24	96.86	98.419	8.376%	6.866%
	IVYCYST 6% 06/15/33	86.84	88.237	8.067%	7.843%
	IVYCYST 6% 03/22/48	68.96	70.078	10.062%	9.897%

## Other African Markets Review

### Egypt: Moody's extended rating review by three months after taking cognizance of the progress of reforms under the current IMF programme

Moody's extended its review of Egypt's long-term local-currency and foreign-currency Issuer Default Risk (IDR) for three (3) months. Moody's affirmed the sovereign at B3 in May 2023 but placed it under review for a possible downgrade.

The extension follows the recognition of progress with reforms under the IMF programme despite the lingering FX risks. The agency noted that its ongoing review balances progress on the divestiture of selected State-Owned Enterprises and fiscal and structural reforms under the IMF programme with the lingering concerns about the external sector balances and the FX liquidity conditions. While Egypt's current account balances have improved, Moody's noted that the pronounced FX liquidity shortfalls and potential trade shocks in the food and energy sectors could result in another round of devaluation, which will sustain the relentless inflation run. Despite the US\$1.9bn proceeds from the realisation of SoE's assets as part of the the IMF programme, Egypt's net foreign liability position has deteriorated by about 10.6% m/m to US\$27.1 in Jun-23, which the agency noted could slow down the pace of reserve accumulation.

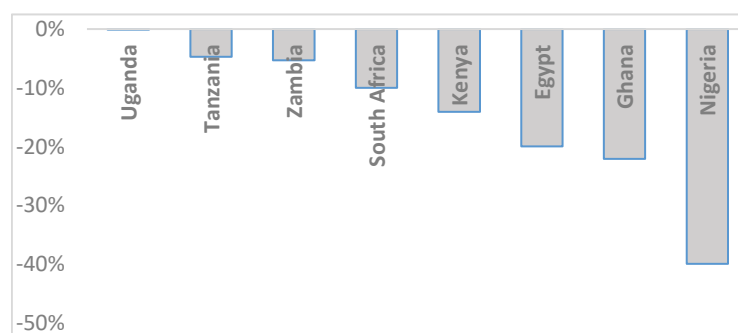
Egypt's urban inflation is already at a record high, rising by 80bps to 36.5% y/y in July 2023, continuing the post-COVID inflationary run that started in 2021. Pound devaluation and elevated food prices remained the dominant driver of inflation in recent months, prompting a hawkish monetary policy stance. Inflation could run hotter for a bit longer amidst the FX liquidity concerns, and the high probability of another pound devaluation makes a credit downgrade possible after the ongoing rating review despite the progress with fiscal and structural reforms.

Ghana Economic Events Calendar for August - 2023		
Event	Due date	Expectations
July-2023 CPI	August 9, 2023	Inflation could decline marginally
S&P Global PMI	August 9, 2023	Direction of PMI uncertain
BDCs FX Auction	August 15, 2023	BoG expected to forward sell US\$20 mn
July-2023 PPI	August 17, 2023	PPI could record further decline
BDCs FX Auction	August 30, 2023	BoG expected to forward sell US\$20 mn

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	-0.01%	33.82	0.58%	39.22	0.41%
Kenya	143.58	-0.48%	158.31	-1.30%	183.25	-1.09%
Nigeria	746.95	0.42%	820.22	0.84%	950.72	0.80%
S. Africa	18.87	-1.00%	20.75	-1.41%	23.98	-0.99%
Tanzania	2423.9	-0.60%	2670.0	-1.03%	3090.09	-0.78%
Uganda	3728.5	-3.21%	4098.8	-3.58%	4735.99	-3.04%
Zambia	15.42	1.56%	20.94	2.06%	24.23	2.28%

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%	6.00%	-1.00%
South Africa	8.41%	8.42%	-0.01%
Uganda	9.31%	9.31%	0.00%
Egypt	24.55%	23.55%	1.00%
Kenya	13.11%	12.35%	0.76%
Tanzania	4.54%	4.60%	-0.06%
Zambia	9.55%	9.50%	0.05%

### Research Contacts

Courage Kwesi Boti  
Economist/ Research Lead  
+233302945848 | +233302945838  
[ckboti@gcb.com.gh](mailto:ckboti@gcb.com.gh)

### Fund Management Contacts

Afua Akyaa Osei  
Vice President, Fund Management  
+233302945848 | +233302945838  
[aaosei@gcb.com.gh](mailto:aaosei@gcb.com.gh)

### Advisory & Capital Markets Contacts

Baffour Agyarko Kwakye  
Vice President, Advisory & Capital  
Markets  
+233302945848 | +233302945838  
[bakwakye@gcb.com.gh](mailto:bakwakye@gcb.com.gh)

Wilson Kyeremeh  
Portfolio Manager, HSG  
+233302945848 | +233302945838  
[wkyeremeh@gcb.com.gh](mailto:wkyeremeh@gcb.com.gh)

Michelle Nana Ohenewaa Kitson-Amoah  
Associate, Advisory & Capital Markets  
+233302945848 | +233302945838  
[mnodadev@gcb.com.gh](mailto:mnodadev@gcb.com.gh)

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49 Ndabaningi Sithole Rd

Labone, Accra