

October 16, 2023

Ghana Market Review

Ghana seeks to reach an agreement in principle on official debt treatment by early Nov-23, targets 30% to 40% haircut on commercial debts: The government of Ghana expects to reach an agreement in principle on the financial parameters of official debt restructuring by Nov-23, in time for the IMF Board's approval of the first review of Ghana's programme with the fund supported by the Extended Credit Facility.

According to the latest investor update from the Ministry of Finance, the government presented illustrative scenarios to the Official Creditor Committee (OCC) and the Paris Club secretariat, currently under internal discussions among the OCC members. The Minister of Finance envisages an agreement in principle by early 23, followed by the Memorandum of Understanding (MoU) between official creditors and the government formalising the agreement on debt treatment.

On the commercial debt treatment, the minister also indicated that the government received scenarios from the regional and international bondholder groups, which are currently under review, with the negotiations on commercial debt treatment set to follow in the coming days. The government hopes to reach an agreement that respects Ghana's need for debt relief in line with the Debt Sustainability Analysis (DSA) and the principle of Comparability of Treatment, targeting an agreement in principle with the commercial creditors by the end of 2023 and aiming at an ambitious 30% to 40% haircut on commercial debt.

While the progress with external debt treatment is promising, the proposed timelines and the targeted gains from commercial debt appear ambitious. The authorities are racing against time to seal the MoU required to secure the IMF Executive Board's approval of the first review by November 2023.

Rising corporate FX demand pressures sustain the Cedi's bearish run: The Cedi extended the bearish run through last week, with the retail and interbank reference rates closing the week 0.8% and 0.7% weaker against the USD. The USDGHS pair opened the week offered around GH¢11.65/11.69 but softened to GH¢11.75/11.80 at the close of the week on the retail market (+0.8% YTD).

While the level of demand from large corporates and the BDCs remained firm throughout the week amidst a broad-based strengthening of the USD, the level of FX liquidity remained thin, reflecting the limited trading activity. We expect the large corporates to sustain their demand for FX as they stock up on general goods ahead of the Yuletide season, which could extend the Cedi's bearish run in the coming weeks.

The 91-day yield climbed past 29% despite a 22% oversubscription last week: Last week's T-bill auction raked in total demand worth GH¢2.80 bn (+6.76% w/w) across the 91-day to 364-day bills against an offer target of GH¢2.24bn (+6.35% w/w). The Treasury accepted 93% of the bids worth GH¢2.61 bn (+1.2%), exceeding the auction target by 16% and the maturity due today, October 16, 2023, by 33%. Again, the clearing yields trekked northwards but at a slightly slower pace relative to recent weeks, with 91-day, 182-day and 364-day bills increasing by 29bps, 21bps and 20bps to 29.48%, 31.43% and 33.21%, respectively.

Secondary Market Activity: Aggregate turnover on the secondary fixed income market increased marginally to GH¢1.38 bn (+3.75%), driven largely by activity in T-bills. The value of bonds traded last week declined sharply by 67.2% w/w to GH¢ 191 mn at the close of last week, accounting for 13.5% of the aggregate volume traded. The Feb-27 and Feb-28 tenors dominated trades and were priced at significant discounts to the face value.

T-Bill Auction in The Week Ahead: The Treasury will offer GH¢2.28bn (+1.74% w/w) across the 91-day to 364-day bills at the next T-bill auction slated for Friday, October 20, 2023. With inflation declining, we expect a slower pace of increase in nominal yields at the primary T-bill auctions in future.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.31	13.73	11.89	0.08	1.55
W/W change	-0.73%	0.06%	-0.07%	-0.40%	-0.64%
YTD Change	-24.2%	-13.27%	-23.1%	-14.15%	-19.9%
Indicative retail rate	11.85	14.65	12.70	1.61	0.08
W/W change	-0.8%	-1.7%	-2.0%	-0.9%	-0.2%
YTD change	0.8%	-2.0%	-0.8%	-12.4%	-6.3%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	28.58%	28.46%	0.12%
July-23 Inflation	38.10%	40.10%	-2.00%
1-Yr Average Inflation	45.29%	45.22%	0.07%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.52%	-10.48%	-0.04%
GRR (%)	30.29%	31.09%	-0.80%

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.48%	29.19%	0.29%	-10.88%
182-day	31.43%	31.22%	0.21%	-9.54%
364-day	33.21%	33.02%	0.20%	-8.31%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,803.96	2,626.30	6.76%
Issuance (GH¢'M)	2,610.27	2,576.60	1.31%
Target (GH¢'M)	2,243	2,109.00	6.35%
Maturity (GH¢'M)	1,966.60	1,966.60	0.00%
Bid/Cover ratio	1.0742	1.02	n/a
Target coverage	1.16	1.22	n/a
Maturity Coverage	1.33	1.31	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,282.00	2,243.00	1.74%
Upcoming T-bill Maturities (GH¢'mn)	2,124.56	2,089.00	1.70%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.191	0.583	-67.20%
Turnover – Notes & Bills GH¢'Bn	1.20	0.750	59.43%

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	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: Inflation quickens to 26.7% in Sept-23, the highest in 18 years.

Nigeria's headline inflation print for Sept-23 surged for the 9th consecutive month to 26.7% y/y (+92bps m/m) - an 18-year high. This relentless run stemmed from the second round effects of petroleum subsidy removal and the sharp NGN depreciation on the official and the parallel market segments. The resurgent food and transport prices also underpin the surge in headline inflation.

The food and non-alcoholic beverages (13.84%), housing water, electricity, gas, and other fuels (4.47%), and the clothing and footwear (2.04%) divisions dominated the inflation print in Sept-23. Urban inflation increased by 7.4% to 28.68%, while rural inflation was 24.94%. The heavily weighted food basket surged to an 18-year high at 30.6% in Sept-22 (+1.3% from Aug-23 | +7.3% YTD). On m/m basis, food inflation slowed to 2.45% (from 3.87% in Aug-23), reflecting the declining price pressures from staples.

Given the continuous surge in headline inflation, we expect the Central Bank of Nigeria to continue the monetary tightening stance at the Nov-23 policy meeting to reverse the inflationary trend and anchor inflation expectations. Thus, nominal interest rates could also remain high through Q4 2023 as the second-round effects of the NGN devaluation and petroleum subsidy withdrawals linger.

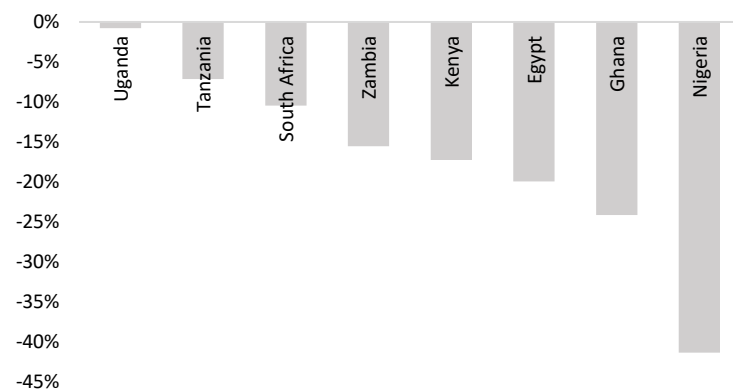
Separately, the CBN lifted the ban on the purchase of FX on the official market for the import of some 43 items last week. The CBN believes the ban triggered FX demand pressure on the parallel market. While lifting the ban will divert the demand to the official market, the CBN stands ready to increase its liquidity interventions towards ultimately stabilising the NGN.

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%	32.47	0.72%	37.52	0.78%
Kenya	149.13	-0.30%	158.06	-1.07%	183.17	-1.48%
Nigeria	765.43	-0.81%	804.62	-0.46%	930.53	-0.47%
S. Africa	18.96	2.40%	20.02	2.30%	23.17	2.25%
Tanzania	2486.1	-0.18%	2626.4	-0.65%	3044.02	-1.08%
Uganda	3754.2	-0.18%	3956.6	-0.21%	4576.76	-0.34%
Zambia	15.42	-0.10%	22.56	-0.48%	26.09	-0.61%

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	6.50%	6.50%	0.00%
South Africa	8.49%	8.47%	0.02%
Uganda	9.31%	9.58%	-0.27%
Egypt	25.36%	25.15%	0.21%
Kenya	14.96%	14.87%	0.09%
Tanzania	4.98%	6.03%	-1.05%
Zambia	9.45%	9.45%	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