

September 11, 2023

Ghana Market Review

GoG Reopens Exchange offer targeting unexchanged eligible bonds worth GH¢12.94 bn: The government of Ghana, on September 13, 2023, announced the reopening of its invitation to debt exchange that settled in Feb-23. The invitation extends to holders of the unexchanged notes bonds of the government of Ghana, the Daakye Trust PLC and ESLA PLC for a new set of bonds. The reopened offer targets a total issuance size of GHS12.94 bn at identical terms to the initial DDEP programme across the different categories under the exchange.

Adjusting for LCY bonds that matured before the initial DDEP and the various iterations, this target size of GH¢12.94 bn represents the outstanding balances on the old notes and bonds after the domestic debt exchange. This invitation supports investors who may liquidate these bonds before maturity as it allows them to exchange less liquid notes and bonds for potentially liquid ones. While the government will continue to honour its obligation to holders of these bonds, the evidence post-DDEP suggests that the Treasury may prioritize servicing the exchanged debts amidst domestic resource challenges.

Separately, the CPI data published last week shows headline inflation eased by 3% in Aug-23 ahead of the MPC meeting starting at midweek. Despite the simmering upside risks from petroleum prices, we expect inflation to decline through Q4 2023, thanks to the anticipated favourable base drift effects. Thus, we expect the Monetary Policy Committee to maintain a rate-neutral stance through 2023, with the policy stance likely to pivot in Q1 2024 once inflation eases sufficiently.

Cedi regained stability in the retail market last week despite the simmering corporate demand pressures: The Cedi closed flat on the retail market versus the USD, with the interbank reference rate closing slightly weaker at the end of trading last week. Against the Euro and the GBP, however, the Cedi showed continuous resilience, recording 0.8% and 0.7% appreciation w/w.

While corporate FX demand was firm during the week, FX offers were almost non-existent, resulting in marginal intraday movements around the current level. Last week, the BoG intervened with around US\$2 mn spot sales and US\$20 mn in a 30-day forward sale to the BDCs at a single clearing rate of GH¢11.4232.

Ahead of the first review of the IMF-supported programme starting next week, we expect an extended Cedi stability through Q4 2023, supported by the anticipated inflows from the annual cocoa loan syndication and concessional financing from the World Bank, all other things equal. This outlook is consistent with Fitch Solution's projected outturn of GH¢11.40 for the USDGHS pair by December 31, 2023.

T-bill Auction undersubscribed 16% amidst the significantly higher target size on offer: The last T-bill auction raked in total demand worth GH¢3.15bn (+7% w/w) against a target size of GH¢3.76 bn (+44.5% w/w) and a refinancing obligation of GH¢3.54 bn due today, September 18, 2023. The Treasury accepted 99.9% of the tendered bids, which fell 16% short of the auction target and 10% below the T-bill maturity obligation. The shortfall stemmed from the significantly larger target size and weekly refinancing obligation relative to the steady growth in demand. The benchmark 91-day bill cleared the 28% mark at the auction, settling at 28.12% (+33bps w/w), while the 182-day (+17bps w/w) and the 364-day (+20bps w/w) also trekked northwards to 29.29% and 32.17%, respectively.

Secondary Market Activity: The aggregate volume traded on the secondary bonds market dipped marginally last week to GH¢1.47bn (-2.8% w/w). The volume of bonds sold dropped by 26.47% w/w, with bills dominating activity on the market. The Aug-27 (coupon: 10%) 4.5-year paper was the most active bond last week, trading at about GH¢2.10 mn at the week's close.

T-Bill Auction in The Week Ahead: The T-bill auction slated for later this week will target a gross issuance worth GH¢2.59 bn (-31.23% w/w) across the 91-day and 182-day offers to roll over about GH¢2.41 bn in upcoming maturities. Given the relatively lower size, we expect an oversubscription at slightly higher yields.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.07	13.79	11.82	0.07	1.52
W/W change	-0.17%	0.46%	0.20%	0.00%	-1.35%
YTD Change	-22.5%	-12.73%	-22.6%	-13.35%	-18.5%
Indicative retail rate	11.60	14.45	12.45	1.57	0.08
W/W change	0.0%	0.7%	0.8%	-1.1%	-0.4%
YTD change	3.0%	-0.7%	1.2%	-10.6%	-5.4%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	27.39%	27.30%	0.09%
July-23 Inflation	40.10%	43.10%	-3.00%
1-Yr Average Inflation	45.22%	44.70%	0.52%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.48%	-10.16%	-0.32%
GRR (%)	30.29%	30.29%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	28.12%	27.79%	0.33%	-11.78%
182-day	29.29%	29.12%	0.17%	-9.99%
364-day	32.17%	31.97%	0.20%	-8.99%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,150.64	2,944.71	6.99%
Issuance (GH¢'M)	3,146.58	2,907.27	8.23%
Target (GH¢'M)	3,759	2,601.00	44.52%
Maturity (GH¢'M)	3,514.47	2,434.18	44.38%
Bid/Cover ratio	1.0013	1.01	n/a
Target coverage	0.84	1.12	n/a
Maturity Coverage	0.90	1.19	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,585.00	3,759.00	-31.23%
Upcoming T-bill Maturities (GH¢'mn)	2,414.86	3,514.47	-31.29%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.160	0.218	-26.47%
Turnover – Notes & Bills GH¢'Bn	1.31	1.290	1.55%

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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%
	GHA 8% 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: All eyes on the CBN ahead of the Sept-2023 policy meeting as inflation takes centre stage.

Nigeria's CPI inflation increased for the eighth consecutive month to 25.8% in August (+1.72%), the highest rate in 18 years. The nearly 2% increase in inflation is sharper than expected, particularly as seasonality effects related to agricultural harvest usually suppress inflation in August and September.

The inflationary run in Nigeria reflects the lingering effects of the fuel subsidy removal, the devaluation of the Naira, and food-supply chain bottlenecks largely stemming from security threats in the food-producing regions. Additionally, the Naira remained bearish on the official and parallel market segments within the data window, fuelling the inflationary pressures.

Inflation from the food and non-alcoholic beverages basket, which dominates the inflation basket, came in at 29.1% in August. Other sub-classes of the non-food basket, including health (22.9%), household utilities (21.8%, transport (27.1%), hotels and restaurants (22.8%), also recorded higher rates of inflation. On a month-on-month basis, inflation increased by 3.2%, the highest in 15 months.

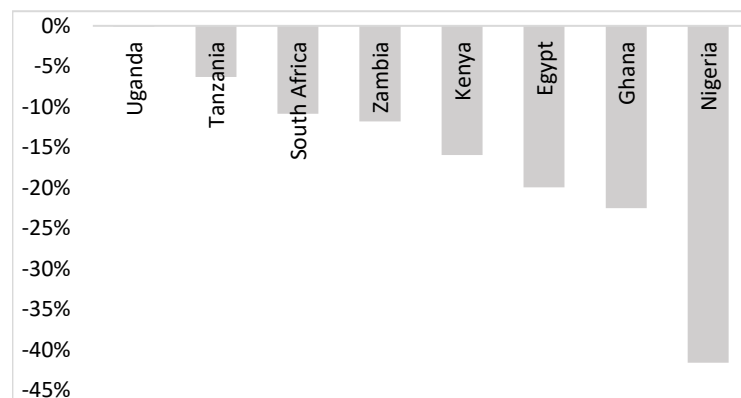
Thus, the newly appointed governor of the Central Bank of Nigeria, Olayemi Cardoso, will take office on a rather challenging note. Anything short of a decisive monetary policy-tightening regime to re-anchor inflation expectations sustainably to the target band will undermine market confidence.

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	0.01%	32.92	0.42%	38.28	0.62%
Kenya	146.79	-0.45%	156.58	-0.12%	182.38	-0.12%
Nigeria	768.24	-2.59%	819.48	-2.06%	954.15	3.35%
S. Africa	19.05	0.31%	20.31	0.79%	23.69	0.78%
Tanzania	2458.5	-0.25%	2626.4	-0.15%	3059.26	-0.16%
Uganda	3729.7	0.26%	3975.1	0.81%	4634.90	0.76%
Zambia	15.42	1.69%	21.86	2.03%	25.42	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	6.50%	5.00%	1.50%
South Africa	8.30%	8.40%	-0.10%
Uganda	10.38%	10.38%	0.00%
Egypt	25.15%	24.87%	0.28%
Kenya	14.52%	13.99%	0.53%
Tanzania	4.98%	4.76%	0.22%

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