

August 21, 2023

Ghana Market Review

Three alternative debt exchange offers closed last week pending announcements:

The extended GoG USD-denominated bond and Cocoa bills alternative debt exchange offers and the pension funds exchange offers closed on Friday, August 18, 2023. Per the offer timelines, we expect an announcement of the results of the offer later in the coming days, barring any further extension to the offer period, which is at the sole discretion of the issuers. Settlement is slated for August 25, 2023.

Together, the three offers are targeting about GH¢47.84bn, which, when successful, will increase the total bonds exchanged under the different iterations of the debt exchange to GH¢122.91bn (excluding cocoa bills) – about 50% of the total outstanding domestic debt.

The conclusion of the three debt exchange offers should bring finality to the Domestic Debt Exchange Programme for publicly listed bonds and bills, all things equal. Further iterations (if any) could target standard loans from commercial banks, Interim Payment Certificates funded by the banks, non-marketable debts issued to contractors, and some banks and energy sector-related debts accruing to the Independent Power Producers (IPPs). Closing these offers should further boost the interest savings from the debt exchange, pending the conclusion of the external debt operations, which should improve the fiscal position and investor confidence.

Separately, the first instalment of semi-annual cash coupon payments on the initial DDEP is due today with the government's coupon obligation of about GH¢2 bn. The Treasury will also affect the PIK adjustments to the outstanding principals consistent with the terms of the offer. We expect the payments to be completed tomorrow, August 22, 2023, and successful settlement of this instalment of coupon obligation is crucial for market sentiments and investors' assessment of these bonds.

The US dollar's rally ahead of Jackson Hole Symposium pegging back EMDEs currencies:

The Cedi shaved off a few pesewas against the USD and the GBP on the retail market last week, closing the week 0.6% and 0.7% weaker at GHS 11.5/US\$ (+3.9% YTD) and GHS15.64/GBP (-2% YTD), respectively. The USD extended its rally over five weeks as investors look ahead to the Federal Reserve's Jackson Hole symposium in the week ahead for guidance on where rates may settle when interest rates eventually pivot. Investors anticipate that interest rates will settle higher for longer amidst the inflation pressures, which underscore the greenback's 5-week rally and pegged back most frontier market currencies last week. However, we expect relative calm on the domestic FX market as signalled by the BoG's 30-day forward guidance at last week's forward FX auction to Bulk Oil Distribution Companies (BDCs), which settled at GHS11.346/US\$.

Despite recording firm demand, the relatively higher target size at last week's T-bill auction results in 13% under subscription:

The Treasury received and accepted total bids worth GH¢3.45 bn (-2.3% w/w) at the last T-bill auction, which fell 13% short of the auction target. However, the level of demand is firm and compares favourably with recent auctions, as the uptake exceeded the refinancing obligation due today, August 21, 2023, by 41%. Given the high target size, the offer settled higher, with the 91-day (26.71% | +62bps w/w), 182-day (27.88% | 28bps w/w) and the 364-day (31.08% | 38bps w/w) yields clearing within the 26.7% to 31.1% bracket.

Secondary Market Activity: Trades on the secondary fixed-income market for bonds and bills improved relative to trade performance in the preceding week but remained broadly subdued, reflecting the generally weak investor sentiments. The aggregate turnover worth GH¢1.35bn across bills and bonds for the week trumps activity in the preceding week by 156%, with trades in 91-day to 364-day bills accounting for more than 93% of the aggregate value traded last week.

T-Bill Auction in The Week Ahead: The Treasury will be targeting a sale of GH¢3.053bn across 91-day to 364-day bills at the next T-bill action slated for Friday, August 25, 2023, to rollover upcoming maturities estimated at GH¢2.86bn. We expect enough demand relative to the target but at slightly higher clearing yields.

Cedi Performance Against Major Currencies						
	GH¢	US\$	GBP	€	JP¥	CNY¥
Interbank Ref. rate	11.01	14.02	11.97	0.08	1.51	
W/W change	-0.02%	-0.41%	0.72%	0.00%	0.58%	
YTD Change	-22.1%	-26.44%	-23.6%	-14.49%	-17.9%	
Indicative retail rate	11.50	14.65	12.50	1.54	0.08	
W/W change	-0.6%	-0.7%	0.4%	0.6%	0.6%	
YTD change	3.9%	-2.0%	0.8%	-8.5%	-4.5%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	26.97%	26.41%	0.56%
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 (%)	29.28%	29.28%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	26.71%	26.09%	0.62%	-11.86%
182-day	27.88%	27.60%	0.28%	-11.04%
364-day	31.08%	30.70%	0.38%	-8.81%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,453.63	3,535.76	-2.32%
Issuance (GH¢'M)	3,453.63	3,507.87	-1.55%
Target (GH¢'M)	3,966	3,065.00	29.40%
Maturity (GH¢'M)	2,450.45	2,879.94	-14.91%
Bid/Cover ratio	1.00x	1.01x	n/a
Target coverage	0.87x	1.14x	n/a
Maturity Coverage	1.41x	1.22x	n/a
The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	3,053.00	3,966.00	-23.02%
Upcoming T-bill Maturities (GH¢'mn)	2,861.48	2,450.45	16.77%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.094	0.048	95.28%
Turnover – Notes & Bills GH¢'Bn	1.26	0.483	159.73%

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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-	IVYCST 5% 07/23/24	96.86	98.419	8.376%	6.866%
	IVYCST 6% 06/15/33	86.84	88.237	8.067%	7.843%
	IVYCST 6% 03/22/48	68.96	70.078	10.062%	9.897%

Other African Markets Review

Nigeria: CBN rolls out new operational guidelines for Bureau De Change operators, effectively reintegrating the BDCs regime into the FX market.

The Central Bank of Nigeria (CBN) has rolled out a series of operational changes on the Foreign Exchange Market to guide the operations of the Bureau De Change (BDCs) market segment.

To enhance transparency and limit NGN volatility, the new operating framework announced on August 17, 2023, set the spread on buying and selling FX within the range of -2.5% to +2.5% of the previous day's weighted average exchange rate. The CBN also mandated the BDCs, under the operational guidelines, to submit all statutory periodic (daily, monthly, quarterly and yearly) reports on the revamped Financial Institutions Forex Rendition System (FIFX), failure of which will attract sanctions, including the withdrawal of operating license.

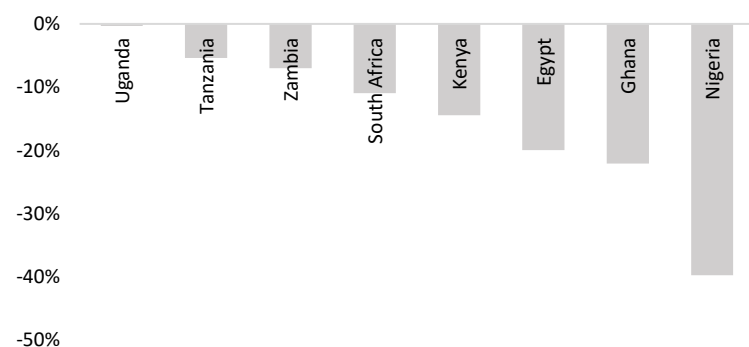
This intervention is the latest piece in the jigsaw towards building a robust, transparent and well-regulated FX regime in line with the drive towards an efficient domestic Forex market. This intervention effectively re-introduced the BDCs into the FX market following their temporal exclusion from the market in Jul-21, and we expect the guidelines on pricing and the strict reporting standards to improve the Naira's resilience against the major trading currencies.

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	0.00%	33.59	0.66%	39.35	-0.32%
Kenya	144.18	-0.42%	157.14	0.75%	184.00	-0.41%
Nigeria	744.14	0.38%	808.87	1.40%	947.43	0.35%
S. Africa	19.07	-1.04%	20.74	0.04%	24.27	-1.21%
Tanzania	2439.7	-0.65%	2659.1	0.41%	3112.90	-0.73%
Uganda	3737.6	-0.24%	4068.0	0.76%	4764.29	-0.59%
Zambia	15.42	-1.80%	21.10	-0.75%	24.71	-1.95%

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	8.38%	8.41%	-0.03%
Uganda	10.38%	9.31%	1.07%
Egypt	24.70%	24.55%	0.15%
Kenya	13.48%	13.11%	0.37%
Tanzania	4.54%	4.54%	0.00%
Zambia	9.55%	9.55%	0.00%

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