

October 23, 2023

### Ghana Market Review

**Ghana's focus shifts to 2024 fiscal budget and external debt restructuring:** With the first review of the fund-supported programme concluded pending the IMF Executive Board's approval in Nov-2023, attention has shifted to fast-tracking the MoU with official creditors on debt treatment under the Common Framework and the annual budget for the 2024 fiscal year.

Thus far, the programme execution has received the IMF's approval, with fund officials encouraging creditors to respond appropriately. Zambia's MOU with official creditors offer a template, and the government is leveraging the successful Domestic Debt Exchange (DDE) and progress under the IMF programme to expedite negotiations, setting an ambitious target to achieve an MOU with official creditors by Nov-2023 and commercial creditors by Dec-2023.

According to the Finance Minister, the 2024 budget slated for November 15, 2023, will target entrenching macroeconomic stability, enhancing access to capital at stable rates, rationalising the tax system, strengthening expenditure and commitment control and enhancing domestic revenue mobilisation under the Post-Covid Programme for Economic Recovery (PC-PEG) among other policy initiatives. Upholding the reform agenda ahead of the general elections in 2024 is imperative for restoring macroeconomic stability and fiscal and debt sustainability, which are necessary for regaining market access.

**Rising corporate FX demand pressures sustain the Cedi's bearish run:** The Cedi's bearish run lingered over three weeks amidst the seasonally induced FX demand pressures. The Interbank USDGHS reference mid-rate closed last week 0.96% weaker (24.9% YTD), along with sharp w/w depreciation against the GBP (-0.96% w/w | -14.7% YTD) and the Euro (-1.66% w/w | -24.4% YTD) at the close of the week.

Corporate FX demand remains firm amidst the limited FX offers, which underpins the Cedi's bearish run. We note that the Bank of Ghana increased its market surveillance over the week, resulting in slower activity on the market. The BoG also sustained its intra-day liquidity support to even out volatility, selling an average of US\$2.5 mn daily around GHS 11.75. With FX demand steadily increasing, the local unit could remain bearish until Hard Currency (HC) flows from the annual cocoa loan syndication, the IMF, and the World Bank trickle in. We expect the regulator to sustain its enhanced surveillance operations in the weeks ahead to guide market conduct.

**T-bill auction oversubscribed by 27% with yields increasing at a slowing pace:** The Treasury's offer of GH¢2.28bn at the T-bill auction last week across 91-day to 364-day attracted total demand worth GH¢3.17bn (+13.21% w/w). The Treasury accepted 91.3% of the bids received (GH¢2.9bn | +10.97% w/w), exceeding the auction target by 27% and the maturity obligation due today, October 23, 2023, by 33%. Nominal yields continue to drift higher, albeit at a slowing pace, with the 91-day, 182-day and 364-day bills clearing 25bps, 18bps and 13bps higher at 29.73%, 31.60% and 33.34%, respectively. We note that the range of bids accepted for the benchmark 91-day bill widened, with the upper band increasing at a slower pace while the lower band shaved off 4bps as we believe nominal yields are near their peak.

**Secondary Market Activity:** Trades on the secondary fixed income market surged to GH¢2.38 bn last week (+4.7% w/w), driven by a surge in activity in GoG bonds. The value of bonds traded last week increased sharply by 213.5% w/w to GH¢ 1.26bn, dominated by the new bonds, accounting for 53% of the aggregate volume traded on the GFIM last week. The Feb-30 paper (coupon: 8.8%) moved the most volume last week and closed the week, priced at almost a 40% discount to Face Value (FV).

**T-Bill Auction in The Week Ahead:** The upcoming T-bill auction slated for Friday, October 20, 2023, will target a gross issuance of GH¢2.24bn (-1.93% w/w) across the 91-day to 364-day bills against a refinancing obligation estimated at GH¢2.08bn. Given the moderate target size relative to the level of demand in recent weeks, the auction could record another significant oversubscription dominated by the benchmark 91 days.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.42	13.87	12.09	0.08	1.56
W/W change	-0.96%	-0.96%	-1.66%	-0.92%	-0.85%
YTD Change	-24.9%	-14.71%	-24.4%	-14.94%	-20.6%
Indicative retail rate	11.90	12.75	14.65	1.60	0.08
W/W change	-0.4%	14.9%	-13.3%	0.2%	-0.1%
YTD change	0.4%	12.5%	-14.0%	-12.3%	-6.4%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	28.63%	28.58%	0.05%
July-23 Inflation	38.10%	38.10%	0.00%
1-Yr Average Inflation	45.29%	45.29%	0.00%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.52%	-10.52%	0.00%
GRR (%)	30.29%	30.29%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.73%	29.48%	0.25%	-10.67%
182-day	31.60%	31.43%	0.18%	-8.45%
364-day	33.34%	33.21%	0.13%	-8.18%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,174.41	2,803.96	13.21%
Issuance (GH¢'M)	2,896.51	2,610.27	10.97%
Target (GH¢'M)	2,282	2,243.00	1.74%
Maturity (GH¢'M)	2,124.56	1,966.60	8.03%
Bid/Cover ratio	1.0959	1.07	n/a
Target coverage	1.27	1.16	n/a
Maturity Coverage	1.36	1.33	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,238.00	2,282.00	-1.93%
Upcoming T-bill Maturities (GH¢'mn)	2,082.81	2,124.56	-1.97%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	1.26	0.401	213.53%
Turnover – Notes & Bills GH¢'Bn	1.12	1.873	-40.39%

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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: NGN Plummets to an all-time low amidst widening spreads after the CBN lifted the restrictions

After the CBN lifted the restriction on funding the import of some 43 items on the official FX market, the Naira is reeling against the USD and the major trading currencies. The depreciation recorded last week sharply contradicts the underlying assumption that informed the restriction's lifting, as the CBN believes the restriction underpins the increased FX demand on the parallel market and the widening spreads between the two market segments.

The official market USD/NGN rate plummeted to an all-time low of ₦883.06 during the week before strengthening slightly to close the week at ₦832.08 (-8.01% w/w) on the official market. The NGN also ceded 8.6% and 7.9% to the Euro and the GBP w/w in a turbulent week, with the USD/NGN pair quoted around the ₦1,040/1,200 range on the parallel market reflecting the prevalent liquidity challenges on the market amidst the elevated level of demand.

While the restriction on funding for importing these 43 items from the official market encouraged a thriving parallel FX and widened the spreads between the official and unofficial market segments, the immediate aftermath of the lifting of the restriction reflects a deeper FX liquidity challenge.

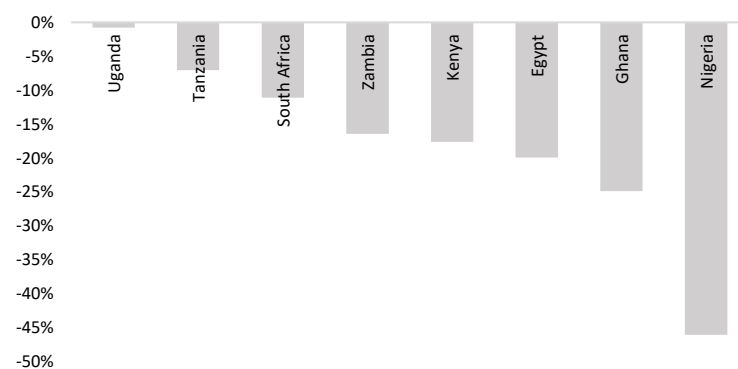
Nigeria's effort to unite the FX market under the new political administration has resulted in a 46.1% Naira depreciation YTD, with the second round effects of depreciation partly underscoring the elevated inflation profile YTD. With the NGN still under considerable pressure, the inflation profile remains elevated in the near term, undermining investor confidence in LCY-denominated financial assets.

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%	32.73	-0.78%	37.58	-0.15%
Kenya	149.94	-0.54%	158.54	-0.30%	182.08	0.60%
Nigeria	832.08	-8.01%	880.26	-8.59%	1010.31	-7.90%
S. Africa	19.11	-0.74%	20.22	-0.99%	23.16	0.03%
Tanzania	2483.6	0.10%	2626.1	0.01%	3014.90	0.97%
Uganda	3754.2	0.00%	3969.7	-0.33%	4547.80	0.64%
Zambia	15.42	-1.04%	22.91	-1.53%	26.27	-0.69%

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	8.51%	8.49%	0.02%
Uganda	9.31%	9.31%	0.00%
Egypt	25.39%	25.36%	0.03%
Kenya	15.05%	14.96%	0.09%
Tanzania	4.98%	4.98%	0.00%
Zambia	9.45%	9.45%	0.00%

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