

August 28, 2023

Ghana Market Review

GHC2.37 bn semi-annual coupon payment inspires investor confidence: The government of Ghana successfully honoured its first coupon obligation to holders of the new bonds issued under the Domestic Debt Exchange, paying out GHC 2.37 bn in semi-annual cash coupons that fell due on August 22, 2023. Additionally, the Treasury adjusted the outstanding principals on the new bonds with the semi-annual Payment-in-Kind (PIK) component of the interest structure.

The successful coupon payment is a significant step towards restoring market confidence and could gradually improve market activity. While the coupon payment will not reverse the de-recognition losses, interest haircuts, and time-value losses booked on the old bonds, it will result in a gradual write-back of the impaired assets on the books of the banks over the tenor of the new bonds, which will impact the profitability of banks in 2H23.

However, sustaining this gradual boost in market confidence will require a commitment from the government to continue honouring its future obligations on these bonds. The addition of the soon-to-be-closed USD-denominated domestic bonds, the Pension sector and the Cocoa Bills alternative exchanges will increase the dominance of the new bonds on the market, with the inclusion of the pension sector holdings potentially set to boost activity and liquidity on the secondary bonds market. The announcement of the closure of the three (3) alternative offers and the offer results is imminent, and we expect a high participation rate across the three offers.

Cedi closed flat versus the USD on the Retail market amidst tightening FX liquidity conditions: The Cedi closed flat vs. the USD and the GBP on the retail market and was broadly stable on the interbank market at the close of trading last week despite the generally tighter FX liquidity conditions and continuous dollar resilience. The market opened the week around GHC11.34/11.38 and closed around GHC11.45/11.55 with limited liquidity support from the Bank of Ghana.

Year-to-date, the Cedi is 22.1% weaker than the USD on the interbank reference market and 3.9% stronger than the USD on the retail market. Amidst the greenback's continuous rally, the tightening FX liquidity conditions pose immediate risks to Cedi's stability, particularly given the limited reserve cover and the loss of market access. The fiscal improvements and the latest coupon payment should calm some nerves and improve market sentiments. However, the Cedi remains vulnerable to shocks in the immediate term, and the Cedi could trade on a tight rope in the week ahead if FX liquidity conditions remain tight.

T-bill auction slightly oversubscribed at higher interest rates: Last week's T-bill auction raked in total bids worth GHC3.23 bn (-6.62% w/w), exceeding the auction target by 5.6%. The Treasury accepted GHC3.21 bn (-7.16% w/w), which exceeded the auction target and the weekly refinancing obligation by 5% and 12%, respectively. The yields continued higher at the auction, with the benchmark 91-day yield clearing at 27.02% (+32bps w/w). The 182-day and 364-day bills also cleared higher at 28.62% (+74bps w/w) and 31.24% (16bps w/w), respectively.

Secondary Market Activity: Secondary bonds market activity remains uninspiring, with the GFIM turning over GHC18 mn at the last auction (-80.5% w/w). While the number of bond trades increased during the week, the traded value was mostly insignificant, and investors remained on the sidelines. On aggregate, the total value of bills and bonds traded decreased to GHC1.09 bn (-20% w/w), with bills accounting for 98.3% of the trades.

T-Bill Auction in The Week Ahead: The Treasury is targeting a gross issuance worth GHC3.06 bn across 91-day to 364-day bills at the next T-bill action slated for Friday, September 1, 2023, to rollover upcoming maturities estimated at GHC2.8bn. We expect the Treasury to receive sufficient funds from this auction to roll over the weekly maturity obligation but at slightly higher yields across the T-bill curve.

| Cedi Performance Against Major Currencies | | | | | |
|---|--------|---------|--------|---------|--------|
| | US\$ | GBP | € | JP¥ | CN¥ |
| Interbank Ref. rate | 11.01 | 13.84 | 11.88 | 0.08 | 1.51 |
| W/W change | -0.05% | 1.30% | 0.75% | 0.80% | 0.05% |
| YTD Change | -22.1% | -25.49% | -23.0% | -13.81% | -17.9% |
| Indicative retail rate | 11.50 | 14.65 | 12.55 | 1.55 | 0.08 |
| W/W change | 0.0% | 0.0% | -0.4% | -1.1% | -1.0% |
| YTD change | 3.9% | -2.0% | 0.4% | -9.5% | -5.4% |

Source: GCB Capital Research, Bank of Ghana, Oanda

| Snapshot of Monetary Indicators and Inflation | | | |
|---|---------|----------|--------|
| | Current | Previous | Change |
| Interbank Rate (%) | 27.11% | 26.97% | 0.14% |
| 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 | 27.02% | 26.71% | 0.32% | -11.63% |
| 182-day | 28.62% | 27.88% | 0.74% | -10.53% |
| 364-day | 31.24% | 31.08% | 0.16% | -8.70% |

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| The Ghana Market Summary | | | |
|-------------------------------------|----------|----------|---------|
| | Current | Previous | Change |
| Bid (GH¢'M) | 3,225.07 | 3,453.63 | -6.62% |
| Issuance (GH¢'M) | 3,206.23 | 3,453.63 | -7.16% |
| Target (GH¢'M) | 3,053 | 3,966.00 | -23.02% |
| Maturity (GH¢'M) | 2,861.48 | 2,450.45 | 16.77% |
| Bid/Cover ratio | 1.0059 | 1.00 | n/a |
| Target coverage | 1.05 | 0.87 | n/a |
| Maturity Coverage | 1.12 | 1.41 | n/a |
| The Week Ahead | | | |
| T-bill Issuance Target - (GH¢'mn) | 3,064.00 | 3,053.00 | 0.36% |
| Upcoming T-bill Maturities (GH¢'mn) | 2,797.66 | 2,861.48 | -2.23% |
| Secondary Market Activity | | | |
| Turnover – Bonds GH¢'Bn | 0.018 | 0.094 | -80.48% |
| Turnover – Notes & Bills GH¢'Bn | 1.07 | 1.255 | -15.06% |

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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

Zambia: MPC hikes policy rate by 50bps response to resurgent inflation risks.

The Central Bank of Zambia, at its Aug-2023 policy meeting, raised the monetary policy rate by 50bps to 10% in response to inflation drifting away from the upper target band.

Inflation is back under focus after three consecutive months of decline induced by Kwacha appreciation following the breakthrough with official creditors on debt restructuring. Headline inflation quickened to 10.3% y/y in Jul-23 (+50bps), driven by higher food prices, an upward adjustment in electricity tariff and reversals in the fortunes of the Kwacha in the third quarter after the initial positive news-induced rally. Inflation is currently 2.3% outside the 8% upper target band, with the recent inflation forecast showing an elevated profile over the medium term.

The committee is concerned that inflation has moved further away from the 6%-8% medium-term target band and will undermine macroeconomic stability if left unchecked. Thus, the 50bps increase in the policy rate complements gains from the ongoing macroeconomic and structural reforms to steer headline inflation back into the target band and firmly anchor near-term inflation expectations.

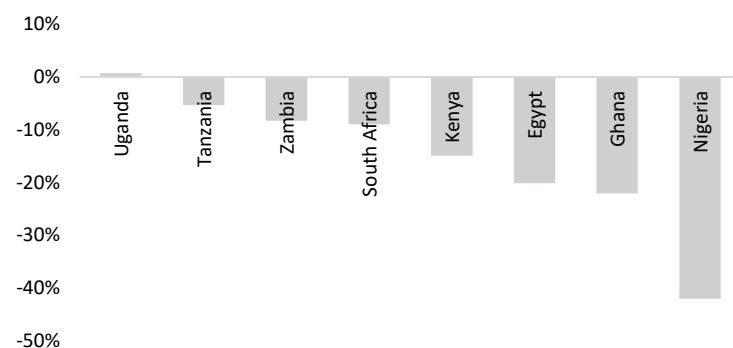
Given the reversal in the inflationary trend, we believe the decision is justified, and a continuously tight policy stance is required to anchor inflation expectations sustainably lower. The higher interest rate environment should also sustain portfolio investment flows to Zambia and support the Kwacha.

| 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 | 30.90 | 0.00% | 33.37 | 0.66% | 38.86 | 1.26% |
| Kenya | 144.87 | -0.48% | 156.88 | 0.16% | 183.10 | 0.49% |
| Nigeria | 774.40 | -3.91% | 835.50 | -3.19% | 974.11 | -2.74% |
| S. Africa | 18.66 | 2.23% | 20.12 | 3.10% | 23.48 | 3.34% |
| Tanzania | 2447.8 | -0.33% | 2650.6 | 0.32% | 3094.04 | 0.61% |
| Uganda | 3697.2 | 1.09% | 3988.9 | 1.98% | 4657.51 | 2.29% |
| Zambia | 15.42 | -1.40% | 21.32 | -1.01% | 24.88 | -0.67% |

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 | 8.44% | 8.38% | 0.06% |
| Uganda | 10.38% | 10.38% | 0.00% |
| Egypt | 24.77% | 24.70% | 0.07% |
| Kenya | 13.73% | 13.48% | 0.26% |
| Tanzania | 4.76% | 4.54% | 0.22% |
| Zambia | 9.50% | 9.55% | -0.05% |

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