

October 30, 2023

Ghana Market Review

T-bill yields near their peak as spreads tighten: We reckon that nominal interest rates are near their peak levels, with recent T-bill auctions recording lower increases in the average weighted clearing rates and the spreads tightening sharply from the range of bids received at the auction last week.

From the peak of around 35.5% pre-DDEP, T-bill yields declined sharply over the three auctions that followed, with the Benchmark 91-day settling at 18.52% at auction 1842 held on March 17, 2023. However, amidst the heightened inflation risks, which resulted in pronounced negative real return, the apparent macroeconomic risks and the increased appetite for short-term funds due to limited funding options for the government reversed the sharp decline in yields thereafter. However, with headline inflation which is down 16% YTD to 38.1% in Sept-23 amidst an improving outlook, we believe nominal yields are near their peak.

We expect the disinflationary trend to continue (GCL's end-2023 inflation forecast: 30%±1%), and we tip the Nov-23 print to come in 33%, barring any significant passthrough from Cedi depreciation to inflation. Thus, real returns on T-bills could improve sufficiently, potentially limiting the upside risks to nominal yields. We envisage T-bill yields to peak around 30% to 33.5% for the 91-day to 364-day bills. While the Treasury's primary market activity will remain concentrated around the front end of the LCY curve as the domestic bonds market remains shut amidst the attractive T-bill yields, we expect nominal yields to ease once inflation declines sufficiently. When sustained, the ongoing fiscal adjustments towards restoring fiscal and debt sustainability and macroeconomic stability will further support disinflation and quicken the decline in nominal yields.

Cedi extended a bearish run against the major trading currencies: The Cedi continued on the back foot, ceding 0.37% and 0.4% to the greenback on both the interbank and retail market segments last week amidst the limited FX liquidity conditions. The GHS closed flat against the USD on the retail market YTD, down from a 2.58% appreciation as of the end of September 2023. The USDGHS pair, however, closed trading last week 25.2% weaker YTD (-2.92% in Oct-23), creating nearly GHp 50 spread between our reference interbank and retail exchange rates.

While the seasonal pressures remain firm, the Bank of Ghana sustained its market surveillance throughout the week, which limited trading activity. The BoG also sustained its intra-day liquidity interventions on the market, selling about US\$2.5 mn on the spot market each day to smoothen intra-day volatility. Barring any sizeable FX liquidity injections, we expect the simmering Cedi pressures to linger through November 2023.

T-bill auction oversubscribed by 27% with yields increasing at a slowing pace: The Treasury raised GHc2.51 bn (-13.4% w/w) from 91-day to 364-day bills last week from total bids worth GHc2.59 bn. The uptake exceeded the auction target by 12% and the refinancing obligation by 21%. The pace of increase in the clearing yields slowed considerably, with the 91-day, 182-day and 364-day bills clearing 9bps, 8bps and 8bps higher at 29.82%, 31.68% and 33.42%, respectively.

Secondary Market Activity: Turnover on the GFIM surged again to GHc3.41 bn (+43.6% w/w) last week. For the second week running, bond trading on the secondary market improved, increasing by 10.1% to GHc1.38 bn (40.6% of total turnover), with the dominant T-bills accounting for 59.4% of the total trades last week. The new bonds dominated investors' appetite, accounting for 99.3% of the value of bonds traded. The Feb-29 (coupon: 8.65%) and the Dec-30 (coupon: 8.8%) moved the most volume last week, priced at 64.89% and 59.74%, respectively.

T-Bill Auction in The Week Ahead: The upcoming T-bill auction slated for Friday, November 3, 2023, will target a gross issuance of GHc2.15bn (-3.84% w/w) across the 91-day to 364-day bills against a refinancing obligation estimated at GHc2.00 bn. Given the relatively lower target size at the next auction amidst firm demand, we expect the auction to be oversubscribed at broadly stable clearing yields, all things equal.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.46	12.14	13.93	0.08	1.57
W/W change	-0.37%	14.18%	-13.2%	-0.39%	-0.32%
YTD Change	-25.2%	-25.96%	-34.3%	-15.27%	-20.9%
Indicative retail rate	11.95	12.85	14.80	1.62	0.08
W/W change	-0.4%	-0.8%	-1.0%	-0.8%	-0.2%
YTD change	0.0%	11.7%	-14.9%	-12.9%	-6.5%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	29.00%	28.63%	0.37%
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%

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.82%	29.73%	0.09%	-10.61%
182-day	31.68%	31.60%	0.08%	-8.40%
364-day	33.42%	33.34%	0.08%	-8.12%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GHc'M)	2,585.57	3,174.41	-18.55%
Issuance (GHc'M)	2,509.93	2,896.51	-13.35%
Target (GHc'M)	2,238	2,282.00	-1.93%
Maturity (GHc'M)	2,082.81	2,124.56	-1.97%
Bid/Cover ratio	1.0301	1.10	n/a
Target coverage	1.12	1.27	n/a
Maturity Coverage	1.21	1.36	n/a

The Week Ahead			
T-bill Issuance Target - (GHc'mn)	2,152.00	2,238.00	-3.84%
Upcoming T-bill Maturities (GHc'mn)	2,001.91	2,082.81	-3.88%

Secondary Market Activity			
Turnover – Bonds GHc'Bn	1.384	1.258	10.06%
Turnover – Notes & Bills GHc'Bn	2.03	1.116	81.43%

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: Government set to roll out policy interventions to anchor NGN stability

The NGN recorded more than 4% appreciation against the USD, the Euro and the GBP w/w, reversing the depreciation trend in recent weeks. The gross reserve increased by US\$103 mn to US\$33.326 bn in the last fortnight, partly supporting the recovery.

As part of the policy interventions, the government will impose excise tax penalties on FX transactions outside the official market window and inject FX liquidity to support the NGN to a fair value, which the government sees around the NGN800/US\$ level. The proposal to introduce an excise tax is part of the 20-point recommendation by the presidential fiscal policy and tax reform committee.

The government plans to boost FX liquidity and clear a backlog of USD demand estimated at around US\$6.7bn as part of the interventions to improve exchange rate performance and outlook. Consequently, the government targets a combined FX inflow of about US\$10bn from the securitisation of dividends from Nigeria's gas resources and emergency loan secured by the National Petroleum Company Limited (NNPCL) from the Afreximbank in the coming weeks. With this sizeable liquidity injection, the government aims to settle outstanding forward FX obligations, reduce pressure on the NGN and improve liquidity on the market to support the NGN towards its fair value.

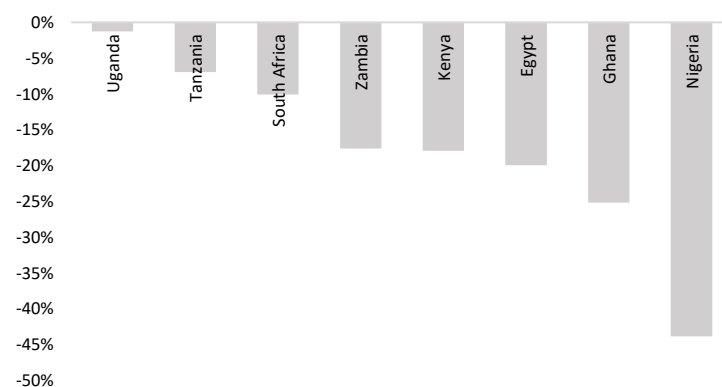
While the policy interventions are necessary to anchor the NGN stability, the excise tax re-introduces another level of control, requiring sustained liquidity support on the official market to anchor FX stability. Thus, weak crude oil prices or disruption in crude oil output could increase FX reserve vulnerability.

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	0.01%	32.64	0.28%	37.48	0.27%
Kenya	150.46	-0.34%	159.09	-0.34%	182.68	-0.33%
Nigeria	799.24	4.11%	843.19	4.40%	968.99	4.26%
S. Africa	18.88	1.17%	19.94	1.42%	22.88	1.21%
Tanzania	2486.9	-0.13%	2626.2	-0.01%	3015.18	-0.01%
Uganda	3772.5	-0.49%	3986.4	-0.42%	4578.30	-0.67%
Zambia	15.42	-1.42%	23.20	-1.27%	26.64	-1.40%

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	8.67%	8.51%	0.16%
Uganda	9.30%	9.31%	-0.01%
Egypt	25.47%	25.39%	0.08%
Kenya	15.11%	15.05%	0.07%
Tanzania	7.77%	4.98%	2.79%
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