

September 4, 2023

Ghana Market Review

The pensions, USD-denominated bonds and Cocoa bills alternative debt exchange offers closed with 92%, 95% and 97% success; settlement due today: The simultaneous domestic USD-denominated bond, pension funds and Cocoa bills alternative exchanges closed last week with 92%, 95% and 97% rate of participation, respectively. The successful completion of the alternative exchange of the GoG bonds adds about GH¢45 bn to the stock of new bonds, easing the immediate liquidity pressure from cash coupon payments. The significantly slashed interest rates on the cocoa bills from an average of over 30% to 13% under the exchange also reduced the high-interest obligation on COCOBOD and, by extension, the contingent liabilities from the Cocoa sector to the central government.

While the terms of the exchange were largely unchanged, the government introduced an amendment to the alternative exchange for pension funds. The amendment introduced an 8% and 3% withholding tax on coupons and capital gains (from secondary market trades in the exchanged bonds). The 3% withholding tax on capital gains will also form part of the eligible holder's chargeable income for tax assessment, which will be liable to tax at the applicable corporate income tax rate unless explicitly exempted by law.

While other non-marketable debts held by some banks and debts owed to the Independent Power Producers (IPPs) may come under the radar going forward, we believe the closure of these three offers concludes the market-oriented domestic debt exchange programme. The Treasury's focus will now shift to the first review of the programme supported by the Extended Credit Facility in Sept-23 and, subsequently, the external debt operations.

Cedi shaves off a few pesewas vs. the greenback last week amidst tightening FX liquidity conditions: The local unit ceded grounds to the USD on both the interbank and retail market segments, reflecting the relatively tighter FX liquidity conditions. From the GH¢11.45/11.55 levels at the week's opening, bids and offers crept higher to the GH¢11.50/11.60 levels by midweek before strengthening to close the week about 0.5% lower, quoted at GH¢11.45/11.52 at the close of trading last week. The interbank reference market also mimicked these trends, with the USDGHS midrate closing the week 0.1% weaker (-22.2% YTD).

The BoG's spot and forward market interventions along the week partly eased the simmering demand pressures, largely from local corporates. While market sentiments appear accommodating ahead of the first review of the IMF programme, an extended FX liquidity strain could result in more pronounced movements in exchange in the coming weeks.

T-bill auction slightly oversubscribed at higher interest rates: Last week's T-bill auction closed with total demand and uptake worth GH¢3.53 bn (+9.36 w/w), exceeding the auction target by 15% and the refinancing obligation for the week by 26%. The Treasury accepted all the bids tendered at the auction, resulting in over GH¢700 mn in new financing to support budgetary operations. Amidst the competition from the Bank of Ghana's OMO operations and the lingering inflation concerns, yields continued higher at the auction, with the 91-day clearing at 27.36% (+34bps w/w). The 182-day and 364-day bills also cleared higher at 28.71% (+10bps w/w) and 31.66% (+42bps w/w).

Secondary Market Activity: While the aggregate volume of bonds traded on the secondary market last week almost doubled to GH¢54.9 mn, activity remains generally depressed below the pre-DDEP levels. Overall, market turnover in bills and bonds summed up to GH¢1.65 bn, with T-bills accounting for 96.7% of the traded volume for the week. The 2027 maturities dominated market activity, with the trades priced at an average 12.8% discount to face value.

T-Bill Auction in The Week Ahead: The next T-bills auction is targeting a gross issuance worth GH¢2.60 bn across 91-day and 182-day bills (-15.11% w/w) to rollover upcoming maturities estimated at GH¢2.43bn. Given the relatively lower target size, we envisage some oversubscription at slightly higher yields.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.02	13.88	11.88	0.08	1.52
W/W change	-0.10%	-0.27%	-0.06%	-0.26%	-0.42%
YTD Change	-22.2%	-13.23%	-23.0%	-14.0%	-18.3%
Indicative retail rate	11.56	14.60	12.55	1.56	0.08
W/W change	-0.5%	0.3%	0.0%	-0.6%	-0.5%
YTD change	3.2%	-2.4%	0.0%	-10.0%	-5.9%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	27.11%	27.11%	0.00%
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	27.36%	27.02%	0.34%	-11.40%
182-day	28.71%	28.62%	0.10%	-10.46%
364-day	31.66%	31.24%	0.42%	-8.41%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,526.83	3,225.07	9.36%
Issuance (GH¢'M)	3,526.83	3,206.23	10.00%
Target (GH¢'M)	3,064	3,053.00	0.36%
Maturity (GH¢'M)	2,797.66	2,861.48	-2.23%
Bid/Cover ratio	1.0000	1.01	n/a
Target coverage	1.15	1.05	n/a
Maturity Coverage	1.26	1.12	n/a
The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,601.00	3,064.00	-15.11%
Upcoming T-bill Maturities (GH¢'mn)	2,434.18	2,797.66	-12.99%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.055	0.018	199.39%
Turnover – Notes & Bills GH¢'Bn	1.60	1.066	50.04%

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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: Money market yields are climbing higher amidst tightening liquidity conditions and the relentless inflation run.

The Debt Management Office (DMO) of the Federal Republic of Nigeria raised a total of NGN288.89 bn from its latest 91-day to 365-day offers. The auction closed with relatively higher offers across the board relative to the sizes offered to the market. Money market yields continued higher, reflecting the heightened inflation and tighter domestic financing conditions.

With inflation reaching 24.08% in July, the 13.9% average yield on the 364-day bill, while relatively higher, yields a negative real return of over 10%, and T-bill yields are now within their all-time high levels. The 91-day and 182-day bills also cleared at 5.1% and 8% at the auction, yielding even deeper negative real returns to investors. The slower pace of monetary tightening in Nigeria has widened the monetary policy gap, underscoring the relentless run of inflation. This policy gap and the ongoing FX market adjustments remain a risk to inflation in the near term.

Kenya: Inflation eases into the target band, helped by favourable harvest.

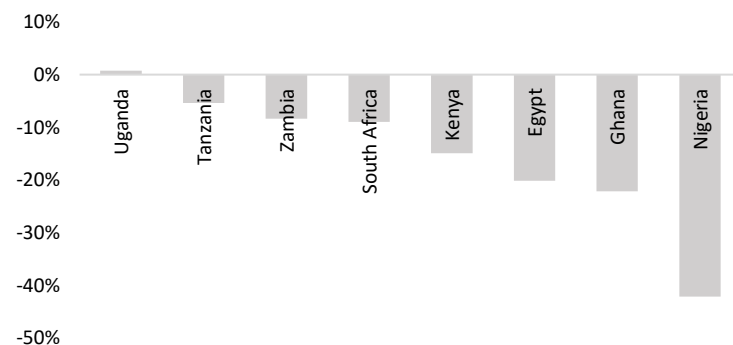
Kenya's annualised headline inflation for Aug-23 eased to 6.7% y/y (-60bps from Jul-23), reflecting the impact of declining food prices. Kenya's headline inflation has declined since Q2 2023, returning to the central bank's medium-term target band of 2.5% to 7.5% in July. Inflation from the food basket, which accounts for a third of the inflation basket, increased by 7.5% y/y (down from 8.6% in July) due to the improved crop harvest. On a month-on-month basis, Kenya recorded a deflation of 0.1%, and we expect inflation to continue towards the midpoint of the medium-term target bank in the coming months, supporting the decline in yields.

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	Date not known	First review of the ECF and staff report

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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