

December 4, 2023

Ghana Market Review

The Comparability of Treatment Clause Stands in the Way of an MOU with the OCC

The race is on to seal the Memorandum of Understanding (MOU) with Official Creditors in time to complete the first review of Ghana's 3-Year programme at the IMF Board level.

In his latest update, the Finance Minister hope to seal an MOU with the Official Creditor Committee (OCC) by the end of this week, outlining two outstanding issues holding back an agreement. The outstanding issues include the "cut-off date" for determining eligible debts for Treatment and the "comparability of treatment" clause under the Common Framework. While Ghana will accept any cut-off date proposed by the Creditors, the proposed 30% to 40% haircut for commercial creditors may be contested.

Commercial creditors may resist the proposed 30% to 40% principal haircut, while a compromise on the part of the government of Ghana may also leave the debt deal short of the target set under the programme. A speedy agreement on the parameters of the external debt treatment is fundamental to restoring macroeconomic stability, fiscal and debt sustainability and market access, and the government is racing against time to access the second disbursement under the programme.

New CRR Directive Releases Over US\$700 M in FX Liquidity to the Market: The Cedi remains under pressure ahead of the Yuletide season, albeit mild, with the anticipated inflows from the IMF and the Cocoa Loan Syndication still to come.

However, we expect FX liquidity conditions to improve slightly on the interbank market following last week's monetary policy decision and the additional policy measure to increase the Cash Reserve Ratio (CRR) to 15% and unify the currency denomination for holding reserves with the Bank of Ghana ([see our MPC update](#)).

From our estimates from the end of October 2023 deposit numbers, the new CRR directive, which took effect on November 30, 2023, should drain about GH¢11 Bn in Cedi liquidity from the interbank market while releasing about US\$750 M, which should improve liquidity conditions on the FX market around the Yuletide season, potentially slowing the pace of depreciation ahead of the anticipated inflows.

Tighter Liquidity Conditions Following the new CRR Directive and Ambitious Target Underscore the GHS1.7 bn Undersubscription at the last T-bill Auction:

The Treasury raised GH¢3.92 Bn from the last T-bill auction across the 91-day to 364-day tenors, accepting all the bids tendered which exceeded the maturity obligation for the week by 13%. However, the demand fell 30% short of the auction target due to the higher target size and the tighter liquidity conditions following the new CRR directive. The new directive drained excess liquidity on the interbank market as commercial banks prioritised meeting the regulatory requirement early. Consequently, yields reversed the trend with the 91-day, 182-day and 364-day bills printing 7bps, 1bp and 21 bps higher to 29.57%, 31.76% and 33.44%, respectively. We expect the reversal in yield to be temporary as the continuous decline in inflation and the normalisation of GHS liquidity conditions after the initial shock from the CRR directive reinforce the anticipated yield correction cycle.

Secondary Market Activity: While still firm, aggregate turnover on the secondary fixed-income market declined w/w, with fixed-income investors trading a total value of nearly GH¢3 bn (-15.99% w/w). Bonds accounted for 40% of the aggregate volume traded but still generally depressed prices.

T-Bill Auction in The Week Ahead: The next T-bill auction slated for Friday, December 8, 2023, will target a gross issuance of GH¢3.9 bn (-30.24% w/w) across the 91-day to 364-day bills to refinance upcoming maturities estimated at GH¢3.25 bn. With the relatively tight GHS liquidity conditions on the market, we do not envisage oversubscription at the auction. The auction may attract just enough demand to refinance the maturity obligation at relatively unchanged prices, with investors increasingly tilting towards the longer end of the T-bill curve.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	11.62	12.68	14.68	0.08	1.63
W/W change	-0.32%	-0.03%	-0.51%	-0.51%	-0.53%
YTD Change	-26.2%	-29.77%	-37.7%	-16.69%	-23.9%
Indicative retail rate	12.20	13.45	15.40	1.68	0.08
W/W change	-0.8%	-1.5%	-1.6%	-0.3%	-1.4%
YTD change	-2.0%	6.7%	-18.2%	-16.2%	-9.4%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	29.28%	29.12%	0.16%
July-23 Inflation	35.20%	35.20%	0.00%
1-Yr Average Inflation	44.86%	44.86%	0.00%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.03%	-10.03%	0.00%
GRR (%)	32.00%	32.00%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.57%	29.50%	0.07%	-10.83%
182-day	31.76%	31.76%	0.006%	-8.34%
364-day	33.44%	33.23%	0.210%	-8.25%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,917.26	5,008.73	-21.79%
Issuance (GH¢'M)	3,917.26	4,977.59	-21.30%
Target (GH¢'M)	5,618	3,587.00	56.62%
Maturity (GH¢'M)	3,451.74	3,337.96	3.41%
Bid/Cover ratio	1.00x	1.01x	n/a
Target coverage	0.70x	1.39x	n/a
Maturity Coverage	1.13x	1.49x	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	3,919.00	5,618.00	-30.24%
Upcoming T-bill Maturities (GH¢'mn)	3,247.13	3,451.74	-5.93%

Secondary Market Activity			
Turnover – GoG Bonds GH¢'Bn	1.188	2.059	-42.33%
Turnover – GoG Notes & Bills GH¢'Bn	1.77	1.463	21.08%
Turnover – Corporate GH¢'Bn	-	-	-
Aggregate Turnover GH¢'Bn	2.959	3.523	-15.99%

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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 GHA 8% 05/07/42 GHA 8% 03/11/61	37.78 41.31 41.48	39.9 42.75 43.17
Egypt B+/B3/B	EGPT 6.20 03/01/24 EGPT 6% 04/30/40 EGPT 7% 02/16/61	97.93 56.75 55.03	99.06 58.15 56.10	14.2% 13.48% 13.70%	9.76% 13.15% 13.45%
Kenya B/B2/B	KENINT 6% 6/24/24 KENINT 6.3 1/23/34 KENINT 8% 2/28/48	96.49 73.41 74.56	97.59 74.59 75.78	13.39% 10.64% 11.34%	11.39% 10.41% 11.16%
Nigeria B-/Caa1/B-	NGERIA 7% 11/21/25 NGERIA 7% 9/28/33 NGERIA 8% 9/28/51	97.21 78.28 74.43	98.28 79.27 75.42	9.19% 11.05% 11.27%	8.59% 10.85% 11.12%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24 SOAF 5 10/12/46 SOAF 7.3 04/20/52	99.62 65.41 84.24	99.84 66.37 84.86	7.33% 8.44% 8.82%	5.74% 8.31% 8.75%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24 IVYCST 6% 06/15/33 IVYCST 6% 03/22/48	97.96 86.23 73.35	99.12 87.30 74.33	8.62% 8.24% 9.45%	6.74% 8.06% 9.32%

Other African Markets Review

Kenya: Government targets privatisation of 35 SOEs as part of its fiscal consolidation plan

The government of Kenya has some 35 state-owned enterprises (SOEs) for privatisation as part of the ongoing fiscal consolidation efforts under the IMF programme. The privatisation and restructuring plan is part of the fiscal strategy to reduce contingent liabilities from the SOE sector to the national budget and spur economic developments amidst the worsening macroeconomic and liquidity conditions.

The announcement follows an amendment of the National privatisation law in October and the recent urge from the IMF to reform specific state institutions, including Kenya Airways and Kenya Power, who, despite their enormous potential, posted record losses in 2022. President William Ruto hinted at a more comprehensive list, stating that 100 more companies could be in line for privatisation and attributed the weak performance of the otherwise lucrative public enterprises to stifling from government bureaucracy.

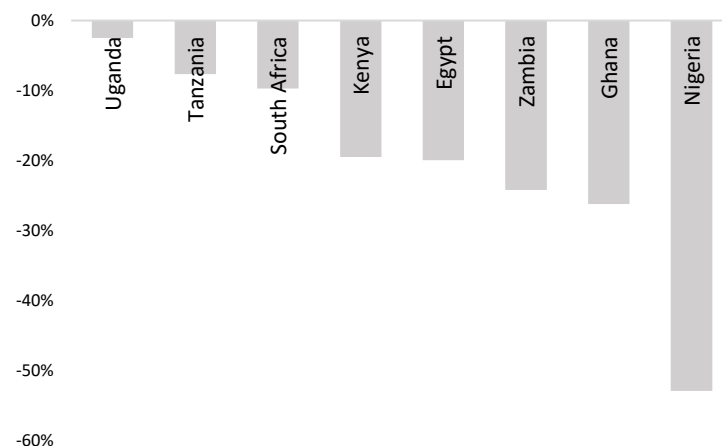
With debt soaring and the government facing demonstrations from the public on the unpopular new taxes in the 2024-24 budget, the privatisation agenda could help the government raise some much-needed resources to support the budget while seizing the opportunity to wean these mostly loss-making SOEs off the government's budget.

Ghana Economic Events Calendar for December - 2023		
Event	Due date	Expectations
Households and Jobs Traker survey Wave 9	Dec 5, 2023	Key findings and trends report
S&P Global PMI	Dec 6, 2023	Ghana PMI to decline Marginally
BDCs forward FX auction	Dec 13, 2023	BoG expected to forward sell US\$20m
Nov-23 CPI Inflation	Dec 13, 2023	Nov 2023 Inflation to decline below 30%
Nov-23 PPI	Dec 20, 2023	PPI to decline further
Q3 2023 Provisional GDP	Dec 21, 2023	Provisional Q3 GDP numbers
BDCs forward FX auction	Dec 27, 2023	BoG expected to forward sell US\$20m

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.62	0.54%	39.24	-0.76%
Kenya	153.24	-0.27%	167.46	-0.51%	193.80	-1.11%
Nigeria	952.64	-15.43%	1035.5	-14.98%	1203.47	-15.71%
S. Africa	18.81	0.43%	20.50	0.55%	23.81	-0.46%
Tanzania	2500.4	0.26%	2733	0.19%	3164.03	-0.36%
Uganda	3805.0	-0.47%	4150.9	-0.49%	4810.66	-1.28%
Zambia	15.42	-1.29%	25.94	-0.96%	30.14	-1.82%

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	8.00%	7.00%	1.00%
South Africa	8.46%	8.48%	-0.02%
Uganda	9.30%	9.31%	-0.01%
Egypt	25.67%	25.56%	0.10%
Kenya	15.53%	15.29%	0.24%
Tanzania	7.77%	7.77%	0.00%

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