

December 11, 2023

Ghana Market Review

Nov 2023 Inflation to Record Sharp Decline on the Bank of Favourable Base-Drift

We expect the disinflation process to continue ahead of the release of Ghana's Nov 2023 CPI inflation at midweek. Both headline and core inflation have declined sharply thus far in 2023, but at 35.2%, headline inflation is still elevated, necessitating keeping a continuously tight monetary policy stance to anchor the disinflation process.

With a broad decline in food and non-food inflation firmly in motion and the cost-side and demand-side pressures receding through 2H2023, we expect a sharp decline in headline inflation below the 30% mark. Headline inflation could print near 26%, restoring positive real returns on T-bills and quickening the anticipated correction in nominal yields in 2024, all things being equal.

Cedi Strengthens Against the Major Trading Currencies Amidst the FX Liquidity Boost from the Latest MPC Action:

The seasonality-induced FX liquidity pressure that kept the Cedi pinned back since the start of Q4 2023 abated last week, with the local unit posting w/w gains vs the three major trading currencies. The Cedi closed trading last week with 0.4%, 2.7% and 0.7% appreciation against the USD, the Euro and the GBP, respectively, at the week's close. The local unit also recorded similar performances against the Euro and the GBP on the interbank market but closed the week broadly stable vs the USD.

We believe the FX liquidity release following the Nov 2023 monetary policy decision underscores the improving liquidity conditions in the market. With the government working towards reaching a Memorandum of Understanding (MOU) with Official Creditors before 2023 ends, this liquidity release, the imminent cocoa loan and the anticipated release of the second tranche under the IMF programme should cushion the Cedi ahead of 2024. Thus, the local unit could open 2024 with ample liquidity cushion and, together with a continuous disinflation process, the ongoing reforms and the external debt treatment, could sustain the steadily improving market sentiments.

Treasury Achieves Auction Target Despite Tight GHS Liquidity Conditions: Despite the tightening GHS liquidity conditions and the BoG mopping up about GH¢1.33 Bn from the interbank market last week, the T-bill auction continues to attract firm demand from investors. At the auction last week, the Treasury received total bids worth GH¢4.13 bn (+5.4% w/w). The Treasury accepted almost all the bids, exceeding the auction target and the refinancing obligation due today, December 11, 2023, by 5% and 27%, respectively. With the generally tight GHS liquidity conditions, the auction cleared marginally across the curve, with the 91-day, 182-day and 364-day bills clearing 2bps, 21bps and 1bp higher to 29.58%, 31.97% and 33.46%, respectively.

Secondary Market Activity: Investors traded an aggregate volume of GH¢3.78 Bn on the secondary market last week. Again, T-bills dominated market activity, accounting for 62.9% of the volume traded, with bonds accounting for the difference. While the volume of bonds traded continues to improve from the weak levels immediately post-DDE, the activity is dominated by sell/buy-back transactions between the banks and other classes of investors, which does not constitute actual trades recorded between counterparties. Secondary market levels remain broadly depressed, with the most active tenors trading at around a 30% discount to the face value.

T-Bill Auction in The Week Ahead: The next T-bill auction slated for Friday, December 15, 2023, will target a gross issuance of GH¢3.98 bn (+1.7% w/w) across the 91-day to 364-day bills to refinance upcoming maturities estimated at GH¢3.71 bn. We expect sufficient investor demand at the auction to cover the target despite the tight GHS liquidity conditions, and the anticipated sharp decline in inflation at midweek could reset interest rates on the downward path. We also envisage high preference around the festive season, which could moderate appetite for T-bills beyond this week.

Cedi Performance Against Major Currencies					
	US\$	€	GB£	JP¥	CNY¥
Interbank Ref. rate	11.63	12.53	14.59	0.08	1.62
W/W change	-0.08%	1.18%	0.62%	-5.58%	0.33%
YTD Change	-26.3%	-29.33%	-37.3%	-19.48%	-23.6%
Indicative retail rate	12.15	13.10	15.30	1.67	0.08
W/W change	0.4%	2.7%	0.7%	0.2%	-1.8%
YTD change	-1.6%	9.5%	-17.6%	-16.0%	-11.0%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	30.20%	29.28%	0.92%
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 (%)	32.16%	32.00%	0.1600%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.58%	29.57%	0.02%	-10.77%
182-day	31.97%	31.76%	0.21%	-8.20%
364-day	33.46%	33.44%	0.014%	-8.10%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	4,127.46	3,917.26	5.37%
Issuance (GH¢'M)	4,126.40	3,917.26	5.34%
Target (GH¢'M)	3,919	5,618.00	-30.24%
Maturity (GH¢'M)	3,247.13	3,451.74	-5.93%
Bid/Cover ratio	1.0003	1.00	n/a
Target coverage	1.05	0.70	n/a
Maturity Coverage	1.27	1.13	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	3,984.00	3,919.00	1.66%
Upcoming T-bill Maturities (GH¢'mn)	3,709.22	3,247.13	14.23%

Secondary Market Activity			
Turnover – GoG Bonds GH¢'Bn	1,402.55	1,187.69	18.09%
Turnover – GoG Notes & Bills GH¢'Bn	2,377.44	1,771.65	34.19%
Turnover – Corporate GH¢'Bn	-	-	-
Aggregate Turnover GH¢'Bn	3,779.99	2,959.341	27.73%

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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	37.78	39.9	104.45%	99.74%
	GHA 8% 05/07/42	41.31	42.75	20.47%	19.87%
	GHA8% 03/11/61	41.48	43.17	19.99%	19.25%
Egypt B+/B3/B	EGPT 6.20 03/01/24	97.93	99.06	14.2%	9.76%
	EGPT 6% 04/30/40	56.75	58.15	13.48%	13.15%
	EGPT 7% 02/16/61	55.03	56.10	13.70%	13.45%
Kenya B/B2/B	KENINT 6% 6/24/24	96.49	97.59	13.39%	11.39%
	KENINT 6.3 1/23/34	73.41	74.59	10.64%	10.41%
	KENINT 8% 2/28/48	74.56	75.78	11.34%	11.16%
Nigeria B-/Caa1/B-	NGERIA 7% 11/21/25	97.21	98.28	9.19%	8.59%
	NGERIA 7% 9/28/33	78.28	79.27	11.05%	10.85%
	NGERIA 8% 9/28/51	74.43	75.42	11.27%	11.12%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	99.62	99.84	7.33%	5.74%
	SOAF 5 10/12/46	65.41	66.37	8.44%	8.31%
	SOAF 7.3 04/20/52	84.24	84.86	8.82%	8.75%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	97.96	99.12	8.62%	6.74%
	IVYCST 6% 06/15/33	86.23	87.30	8.24%	8.06%
	IVYCST 6% 03/22/48	73.35	74.33	9.45%	9.32%

Other African Markets Review

Nigeria: Moody's Affirm Nigeria's Local and Foreign Currency Issuer Default Rating at Caa3; Revised the Outlook to Positive following Promising Reforms

Rating agency Moody's affirmed Nigeria's Foreign and Local Currency Issuer Default Rating at Caa1, seven (7) notches below investment grade, its latest rating action, citing a weak fiscal and external position. However, the agency revised the outlook to positive (from negative) based on the ongoing reform efforts, which it believes have raised the prospect of improvement in Nigeria's fiscal and external positions.

The rating action followed some fiscal, monetary policy and structural reforms since the Bola Tinubu-led government assumed office, including the withdrawal of petroleum subsidy, the unification of the FX market, and the lifting of the ban on selected imports, all of which have fuelled inflation pressures to over 18-year high. In response, the Central Bank of Nigeria has maintained a tight monetary policy stance, with the policy rate at its highest since Nigeria adopted the Monetary Policy Rate (MPR) as its main policy tool in 2006. The CBN also recently announced the adoption of an explicit inflation-targeting regime, with the formal implementation date yet to be announced.

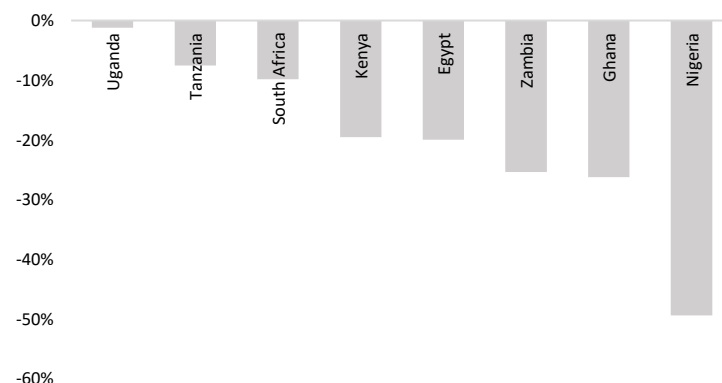
The promising reforms underscore the upgrade in Nigeria's outlook to positive. While commendable, the current reforms alone will not immediately improve Nigeria's credit profile as oil price volatility and recurring interruptions to oil production and supply remain risks to revenue mobilisation and the external position. Nigeria is also facing an increasing risk of debt vulnerability, which remains a concern to investors and will require decisive interventions to forestall.

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%	33.25	1.11%	38.76	1.23%
Kenya	153.34	-0.07%	165.28	1.32%	192.76	0.54%
Nigeria	886.66	7.44%	956.35	8.28%	1114.62	7.97%
S. Africa	18.83	-0.09%	20.30	0.98%	23.66	0.62%
Tanzania	2504.0	-0.14%	2694.4	1.43%	3146.08	0.57%
Uganda	3770.5	0.91%	4066.1	2.08%	4745.17	1.38%
Zambia	15.42	-1.59%	26.11	-0.67%	30.46	-1.06%

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	9.00%	8.00%	1.00%
South Africa	8.52%	8.46%	0.06%
Uganda	9.31%	9.30%	0.01%
Egypt	25.71%	25.67%	0.04%
Kenya	15.63%	15.53%	0.11%
Tanzania	7.77%	7.77%	0.00%
Zambia	9.50%	9.50%	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

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@gcb.com.gh

Advisory & Capital Markets Contacts

Michelle Nana Ohenewaa Kitson-Amoah
Associate, Advisory & Capital Markets
+233302945848 | +233302945838
mnodadey@gcb.com.gh

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49 Ndabaningi Sithole Rd

Labone, Accra