

December 18, 2023

Ghana Market Review

November Inflation eased to 26.4%; Restores Positive Real Policy Rate

Ghana's headline inflation declined sharply to an 18-month low of 26.4% y/y (-8.8%) in Nov 2023. The decline is driven dominantly by a favourable base drift and the ongoing macroeconomic and structural reforms across the fiscal and monetary sectors of the economy, with the food (-12.6%) and non-food (-6%) baskets also recording a marked slowdown in inflation for the Nov 2023 data window.

At 26.4%, the real returns on T-bill yields have turned positive, and the real policy rate has also turned positive, which is ideal for firmly anchoring inflation expectations. With this continuously tight monetary policy stance supported by the reforms, we expect the disinflation process to continue through Q1 2024, all things being equal. However, given the lingering growth concern, the punitive credit conditions and the contracting loan book due to increased risk aversion, the monetary policy stance could pivot by March 2024, albeit cautiously, in support of growth once inflation subsides sufficiently near the 20% level. However, we expect the Bank of Ghana to strive to maintain a healthy and positive real monetary policy rate to effectively balance the risks to inflation and growth along with a complementary fiscal stance to sustain the ongoing economic recovery.

Against this backdrop, we expect T-bill yields to continue the steady decline as inflation softens and the monetary policy stance eases. However, we flag the government's sizeable deficit obligation, which will be financed predominantly from the T-bill market, as a risk to continuous disinflation and decline in yields in the near term and may require stricter discipline, expenditure rationalisation and unlocking concessional financing to sustain the decline in inflation and nominal yields.

Panic USD Sales as US Fed Signals end to Monetary Tightening: The Cedi posted a mixed performance against the greenback last week, closing the week 0.4% stronger against our reference retail rate but was 0.11% weaker on the interbank reference market. The appreciation in the retail market partly reflects panic sales as the US Federal Reserve signalled an end to its monetary tightening cycle, supporting FX liquidity levels in the domestic markets. We expect the interbank reference rate to continue the upward adjustment until market rates are sufficiently aligned, and arbitrage windows are closed.

Sharp Drop in Inflation Resets T-bill Rates Lower as Investor Demand Firm Up: The Treasury received total bids worth GH¢4.73 Bn (+14.51% w/w) against the auction target of GH¢3.98 Bn (+14.48% w/w) and refinancing obligation of GH¢3.71 Bn (+14.23% w/w). The Treasury accepted almost all the bids tendered, with the uptake exceeding the auction target and the maturities due for the week by 19% and 27%, respectively. We note that interbank GHS liquidity levels steadied last week following the new CRR directive, with the interbank interest rate trimming 9bps. The steady demand conditions, together with the sharp decline in inflation for Nov 2023, reset nominal yields lower, with the 91-day, 182-day and 364-day bills clearing 53bps, 83bps and 97bps lower to 29.05%, 31.14% and 32.49%, respectively.

Secondary Market Activity: Aggregate turnover on the secondary fixed income market quickened to GH¢4.19 Bn (+10.7% w/w) last week, almost evenly split between bonds and T-bills. While the value of bonds traded continues to improve, the activity in bonds is dominated by sell/ buy-backs. It does not represent actual bounce back in pure trades on the secondary market as investors manage liquidity levels with their bond portfolios. Bond yields are still very much depressed, and activity in bonds on the GFIM could remain subdued until the LCY curve corrects.

T-Bill Auction in The Week Ahead: The next T-bill auction slated for Friday, December 22, 2023, will target a gross issuance of GH¢2.59 bn (-34.89% w/w) across the 91-day to 364-day bills to refinance upcoming maturities estimated at GH¢2.42 Bn. While we envisage increased cash preference in the lead-up to the festive week, investor demand could remain firm at the auction, forcing yields even lower amidst the improving inflation expectations. However, the anticipated yield decline will be gradual and marginal as investors hold out for positive real returns.

Cedi Performance Against Major Currencies					
	US\$	€	GB£	JP¥	CNY¥
Interbank Ref. rate	11.64	12.53	14.59	0.08	1.62
W/W change	-0.11%	1.18%	0.62%	-5.58%	0.33%
YTD Change	-26.3%	-29.33%	-37.3%	-19.48%	-23.6%
Indicative retail rate	12.10	13.30	15.45	1.68	0.08
W/W change	0.4%	-1.5%	-1.0%	-0.3%	-2.2%
YTD change	-1.2%	-7.1%	-5.3%	-16.3%	-12.9%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	30.18%	30.20%	-0.02%
July-23 Inflation	26.40%	35.20%	-8.80%
1-Yr Average Inflation	42.86%	44.86%	-2.00%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-9.00%	-10.03%	1.02%
GRR (%)	32.16%	32.16%	0.00%

GCB Capital Research | Bank of Ghana

T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	29.05%	29.58%	-0.53%	-9.67%
182-day	31.14%	31.97%	-0.832%	-8.21%
364-day	32.49%	33.46%	-0.966%	-7.26%

GCB Capital Research | Bank of Ghana

The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	4,726.53	4,127.46	14.51%
Issuance (GH¢'M)	4,723.84	4,126.40	14.48%
Target (GH¢'M)	3,984.00	3,919.00	1.66%
Maturity (GH¢'M)	3,709.22	3,247.13	14.23%
Bid/Cover ratio	1.0006	1.00	n/a
Target coverage	1.19	1.05	n/a
Maturity Coverage	1.27	1.27	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,594.00	3,984.00	-34.89%
Upcoming T-bill Maturities (GH¢'mn)	2,415.17	3,709.22	-34.89%

Secondary Market Activity			
Turnover – GoG Bonds GH¢'Bn	2,067.61	1,402.55	47.42%
Turnover – GoG Notes & Bills GH¢'Bn	2,117.63	2,377.44	-10.93%
Turnover – Corporate GH¢'Bn	-	-	-
Aggregate Turnover GH¢'Bn	4,185.24	3,779.985	10.72%

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	37.78	39.9	104.45%	99.74%
	GHA 8% 05/07/42	41.31	42.75	20.47%	19.87%
	GHA 8% 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: Inflation Quickens to an 18-Year in Nov 2023 Amidst the CBN's Renewed Focus on its Core Mandate of Safeguarding General Price Stability

Nigeria's headline inflation increased for the 11th consecutive month in 2023, with the Nov 2023 print climbing 87bps higher to 28.2%, the highest print in 18 years. The Nov 2023 print beats the consensus market estimate of 27.9% as higher price pressures from the food and non-alcoholic beverages, clothing and footwear, housing and utilities and health, among other divisions, sustained the uptick in inflation. On a month-on-month basis, inflation quickened to 2.1% (from 1.7% in Oct 2023).

Amidst the lingering FX pressures and the ongoing macro-prudential reforms in Nigeria, there is still some way to go before inflation peaks in Nigeria. The increasing withdrawal of structural rigidities from the fiscal and monetary policy framework amidst other structural and systemic risks will continue to drive inflation.

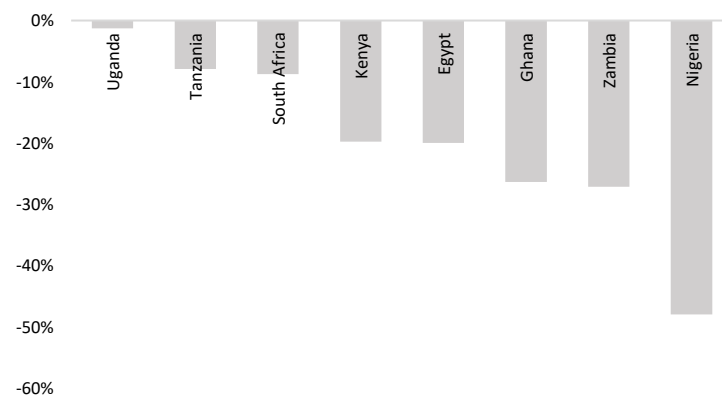
In its latest move, in keeping with his pledge to focus on the CBN's core mandate, governor Olayemi Cardoso and the CBN have directed the suspension of applications for new loans under the Development Finance Intervention Funds. The directive is a significant shift from the policy initiative considered under the previous administration as the cornerstone of the CBN. The circular to banks indicated that the CBN is adopting a limited policy advisory role that supports economic growth rather than direct interventions. However, the terms of existing facilities under the programme are unchanged. Commercial banks are responsible for recovering all the outstanding balances of loans advanced through them.

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	0.01%	33.66	-1.21%	39.16	-1.02%
Kenya	153.74	-0.26%	167.77	-1.49%	195.00	-1.15%
Nigeria	861.65	2.90%	940.92	1.64%	1095.59	1.74%
S. Africa	18.61	1.18%	20.29	0.08%	23.50	0.67%
Tanzania	2507.0	-0.12%	2740.4	-1.68%	3188.94	-1.34%
Uganda	3772.0	-0.04%	4142.8	-1.85%	4810.81	-1.36%
Zambia	15.42	-2.34%	27.14	-3.79%	31.62	-3.66%

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

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