

January 2, 2024

Ghana Market Review

Appetite for short-term funds and macroeconomic data to drive the direction of yields in 2024: The uncertain market dynamics in 2023 and the Treasury's reliance on the short end of the domestic market as the main funding source amidst the heightened inflation pressures kept nominal yields elevated. However, given the limited options for the different classes of investors, demand remained firm throughout the year, and the Treasury exceeded its Public Sector Borrowing Requirement (PSBR) for 2023, raising about GH¢153.21 Bn from total bids worth about GH¢157.08 against the PSBR target of GH¢137.30 Bn.

The Treasury's cost of funding ranged between 18.53% and 35.92% across the T-bill curve, averaging between 26.78% and 31.13%. Given the elevated macroeconomic uncertainties, the immediate post-DDEP push to trim the cost of T-bill funding was short-lived. Initially, the yields dropped sharply from around the mid 35% levels to the lowest range of 18.53% to 26.82% within three auctions following the Treasury's aggressive yield compression strategy. However, nominal yields reversed course after that to the 30% to 33.7% range. We expect the steady yield correction cycle that started around Nov-23 to be data-driven, hinging on the pace of disinflation, the appetite for short-term funds and the fiscal performance. The 91-day rate could potentially ease to around the 22% levels by the end of 2024 with supportive data.

Cedi's near-term outlook hinges on the timing of the MoU with official creditors: Demand conditions eased broadly in the final trading week of 2024, supporting the Cedi to a stable close to the year. The local unit closed the year with a 27.8% depreciation against the greenback on the interbank reference market, an impressive show of relative resilience after recording over 21% depreciation in Q1 of 2023 alone. The first drawdown of about US\$600 million on the cocoa loan syndication has supported FX liquidity conditions, with the Bank of Ghana staying clear of any liquidity support to the market last week. The economic recovery remains on course, albeit fragile, but lingering fiscal uncertainties remain ahead of the elections, which weighs on investor sentiments. The timing of an agreement with official creditors on the parameters of debt restructuring could, therefore, shape the near-term outlook of the Cedi, all things being equal.

Final T-bill auction for 2023 closed with a 3% oversubscription despite the relatively higher target size: The final T-bill auction for 2023 closed with total investor demand across the 91-day to 364-day bills estimated at GH¢4.21 Bn (+17.81% w/w). The Treasury accepted 99.96% of the bids tendered, which exceeded the auction target by 3%, and the weekly refinancing obligation by 78%. While the 91-day yield shaved 12bps to 29.24% at the auction, the 182-day and 364-day bills were broadly unchanged at 31.88% and 32.49%, respectively. Interbank GHS liquidity levels have stabilised considerably, with the interbank interest rate inching 7bps down to 30.11% at the week's close. Inflation is currently on a clear path of decline and is expected to be well-anchored under the current fiscal and monetary policy frameworks. We tip nominal yields to continue the steady decline initially driven by data, potentially getting sharper along the year as investor sentiments improve. Election-related fiscal risks and its pass-through to inflation remain a risk to the outlook for yields.

Secondary Market Activity: Aggregate turnover on the secondary fixed income market dipped by 45% w/w to GH¢3.05 Bn as the market entered the festive mode. Bonds dominated activity for the week, accounting for 50.3% of the aggregate volume traded last week.

T-Bill Auction in The Week Ahead: The Treasury will be targeting a gross issuance of GH¢2.84 bn (-30.38% w/w) at the first T-bill auction for 2024 to rollover upcoming maturities estimated at GH¢2.45 Bn. We believe the Treasury has built considerable liquidity buffer in recent issuances against the upcoming coupon obligation in Feb-24 and is well positioned to signal the intention to drive down yields steadily through 2024.

| Cedi Performance Against Major Currencies | | | | | |
|---|--------|---------|--------|---------|--------|
| | US\$ | € | GB£ | JP¥ | CNY¥ |
| Interbank Ref. rate | 11.88 | 13.13 | 15.13 | 0.08 | 1.67 |
| W/W change | -1.97% | -2.29% | -2.10% | -2.97% | -2.41% |
| YTD Change | -27.8% | -31.86% | -39.6% | -23.01% | -25.9% |
| Indicative retail rate | 12.10 | 13.40 | 15.45 | 1.68 | 0.08 |
| W/W change | 0.4% | -0.7% | -0.6% | -0.1% | -1.5% |
| YTD change | -1.2% | -7.1% | -6.0% | -16.3% | -13.2% |

Source: GCB Capital Research, Bank of Ghana, Oanda

| Snapshot of Monetary Indicators and Inflation | | | |
|---|---------|----------|---------|
| | Current | Previous | Change |
| Interbank Rate (%) | 30.11% | 30.18% | -0.07% |
| July-23 Inflation | 26.40% | 26.40% | 0.00% |
| 1-Yr Average Inflation | 42.86% | 42.86% | 0.00% |
| MPR (%) | 30.00% | 30.00% | 0.00% |
| Real MPR | -9.00% | -9.00% | 0.00% |
| GRR (%) | 32.16% | 32.16% | 0.0000% |

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| T-Bill Clearing Yields | | | | |
|------------------------|---------|----------|---------|------------|
| | Current | Previous | Change | Real yield |
| 91-day | 29.24% | 29.36% | -0.12% | -9.53% |
| 182-day | 31.88% | 31.95% | -0.064% | -7.68% |
| 364-day | 32.49% | 32.49% | -0.006% | -7.26% |

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| The Ghana Market Summary | | | |
|--------------------------|----------|----------|--------|
| | Current | Previous | Change |
| Bid (GH¢'M) | 4,212.09 | 3,575.40 | 17.81% |
| Issuance (GH¢'M) | 4,210.61 | 3,569.67 | 17.96% |
| Target (GH¢'M) | 4,075 | 2,594.00 | 57.09% |
| Maturity (GH¢'M) | 2,371.48 | 2,415.17 | -1.81% |
| Bid/Cover ratio | 1.0004 | 1.00 | n/a |
| Target coverage | 1.03 | 1.38 | n/a |
| Maturity Coverage | 1.78 | 1.48 | n/a |

| The Week Ahead | | | |
|-------------------------------------|----------|----------|---------|
| T-bill Issuance Target - (GH¢'mn) | 2,837.00 | 4,075.00 | -30.38% |
| Upcoming T-bill Maturities (GH¢'mn) | 2,453.42 | 2,371.48 | 3.46% |

| Secondary Market Activity | | | |
|-------------------------------------|----------|-----------|---------|
| Turnover – GoG Bonds GH¢'Bn | 1,513.28 | 2,150.56 | -52.12% |
| Turnover – GoG Notes & Bills GH¢'Bn | 1,390.94 | 3,292.65 | -72.01% |
| Turnover – Corporate GH¢'Bn | - | - | - |
| Aggregate Turnover GH¢'Bn | 1,951.27 | 4,185.241 | -53.38% |

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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 | 39.00 | 104.45% | 99.75% |
| | 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 d'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: Senate approves Nigeria's 2024 budget; converts ₦7.5 Trillion loan into bonds at a coupon rate of 9%

Over the weekend, the Nigerian Senate approved a budget of ₦28.75 trillion (US\$ 34 billion) for the 2024 fiscal year. The amount approved exceeded the initial budget of ₦27.5 trillion after the Senate accepted the government's request to increase its funding need following higher revenue forecasts and a weaker currency.

The government now expects higher revenue from state-owned enterprises for the year and revised the average USDNGN exchange rate expectation upwards from ₦750 in the initial budget to ₦800, with the weaker exchange rate outlook expected to boost export earnings. The fiscal outlay is expected to yield a budget deficit of 3.9% of GDP.

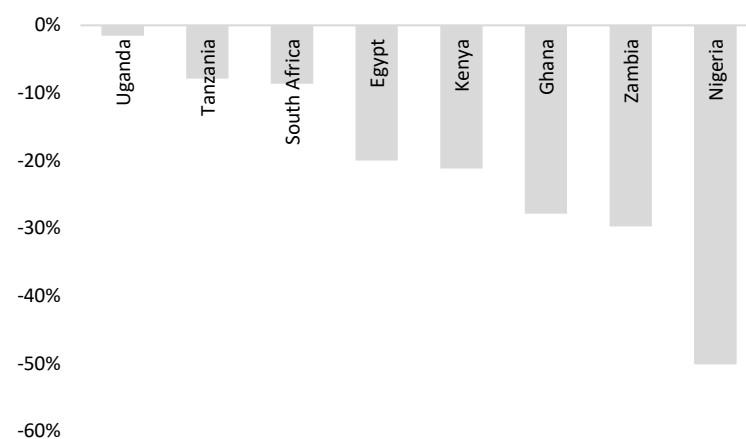
Separately, the Senate also approved President Bola Tinubu's request to convert ₦ 7.5 trillion (US\$8.2 bn) in overdrafts from the Central Bank of Nigeria into a bond at a coupon rate of 9%. This action follows the conversion of GHS22.7 bn of CBN financing into bonds in May 2023, increasing the nominal debt stock to 50% of GDP in Sept-2023 (₦87.9 trillion). The latest conversion reduces the sovereign's debt service burden on the converted loan by 3%, which is the spread charged on the policy rate for the overdraft facility. Following the widespread use of deficit financing from the Central Bank and its inflationary consequences, the government appears to be making the much-needed policy shift. Finance Minister Wale Edun is signalling the government's intent to avoid deficit monetisation going forward, which is key to improving the medium-term inflation outlook.

| Ghana Economic Events Calendar for January - 2024 | | |
|---|-------------------|--|
| Event | Due date | Expectations |
| S&P Global PMI | Jan 4, 2024 | Key findings and trends report |
| Dec 2023 CPI Inflation | Jan 10, 2024 | Dec 2023 inflation to decline further |
| BDCs forward FX auction | Jan 11, 2024 | BoG expected to forward sell US\$20m |
| Dec-23 PPI | Jan 17, 2024 | PPI to decline further |
| Jan 2024 MPC | Jan 24 – 26, 2024 | MPC to consider monetary policy stance |
| MPC Press conference | Jan 29, 2024 | MPC to keep policy rate unchanged |
| BDCs forward FX auction | Jan 27, 2024 | BoG expected to forward sell US\$20m |

| Performance of Selected African Currencies | | | | | | |
|--|--------|----------|---------|----------|----------|----------|
| Country | US\$ | Chg. (%) | € | Chg. (%) | £ | Chg. (%) |
| Egypt | 30.89 | -0.01% | 34.10 | -9.40% | 39.33 | -0.24% |
| Kenya | 156.46 | -0.88% | 173.78 | -2.16% | 199.80 | -1.83% |
| Nigeria | 899.39 | 15.54% | 994.55 | 15.3% | 1,143.94 | 15.75% |
| S. Africa | 18.58 | -0.89% | 20.58 | -1.50% | 23.70 | -1.28% |
| Tanzania | 2,506 | -0.04% | 2,785.5 | -1.23% | 3,199.96 | -0.91% |
| Uganda | 3782.1 | -0.58% | 4186.1 | -1.03% | 4,826.75 | -0.33% |
| Zambia | 15.42 | -1.21% | 28.41 | -1.45% | 32.69 | -1.16% |

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 | 7.00% | 9.00% | -2.00% |
| South Africa | 8.42% | 8.52% | -0.10% |
| Uganda | 10.38% | 9.31% | 1.07% |
| Egypt | 25.68% | 25.71% | -0.02% |
| Kenya | 15.98% | 15.63% | 0.35% |
| Tanzania | 9.10% | 7.77% | 1.33% |
| Zambia | 9.50% | 9.50% | 0.00% |

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