

Monthly Market Review (October 2023)

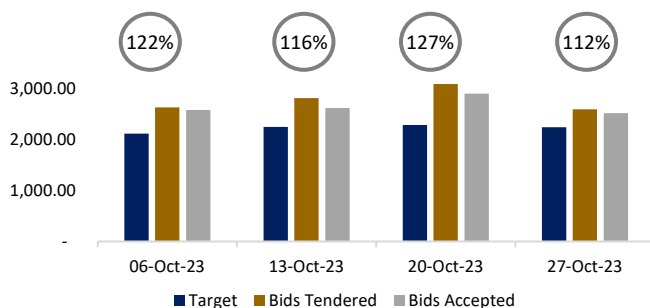
NEWS HEADLINES

- **Fitch Upgrades Ghana's Long-Term Local-Currency IDR to 'CCC'**; The international rating agency has also affirmed Ghana's Long-Term Foreign-Currency IDR at 'RD' and the Country Ceiling at 'B-'. Fitch has assigned 'CCC' ratings to two interest-only bonds issued on completion of pension funds holdings of domestic debt exchange. Fitch has also assigned 'CCC' ratings to four domestic US dollar-denominated bonds issued on 4 September 2023. ([Fitch](#))
- **Banking industry demonstrates strong performance during first nine months of 2023**; Data released by the universal banks in the country affirms stronger industry performance relative to the third quarter of 2022. The industry demonstrated accelerated pace of recovery from the recent debt restructuring programme and demonstrated its resilience and robustness during the period under review. ([BoraResearch](#))
- **Budget for 2024 expected to be delivered in mid-November**; Amongst others, the market anticipates the budget to emphasize structural reforms aimed at improving efficiency and competitiveness of the economy. It is expected that the budget will include provisions for the management of the restructured debt, ensuring timely repayments and compliance with the terms agreed upon with creditors and international bodies. ([BoraResearch](#))

FIXED INCOME MARKET

- Rates on the short-term bills further edged up at the end of the month, subscribed at an average of 119.4%.

GoG Securities Auction Results with %subscription



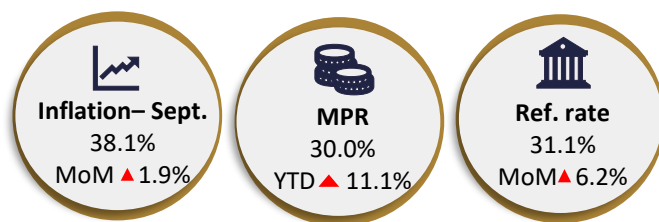
Government of Ghana Treasury Bill Rates (%)				
Instrument	31 Oct 23	30 Sep 23	MoM	YTD
91-Day	29.82	28.80	▲ 3.55%	▼ -16.38%
182-Day	31.68	30.92	▲ 2.46%	▼ -11.88%
364-Day	33.42	32.82	▲ 1.83%	▼ -6.94%

Bora Purchase Rates for Clients		
Instruments	Min. Yield (%)	Max. Yield (%)
0 - 91 days	20.50	29.82
92 - 182 days	26.00	31.67
Up to 1 Year	32.50	33.40

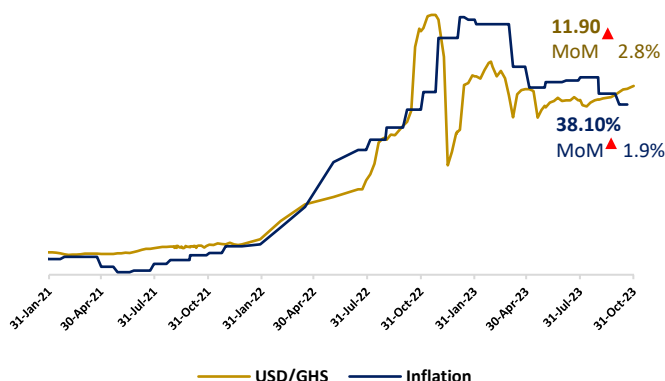
* MoM – month on month YTD – year-to-date

KEY MACROECONOMIC INDICATORS

- Annual inflation rate (CPI) eased for the second consecutive month to a one-year low of 38.1% in September 2023, from 40.1% in the previous month. On a monthly basis, CPI increased by 1.9% in September, after decreasing by 0.2% in the prior month;
- Price growth softened for both food (49.4% vs 51.9% in August) and non-food products (29.3% vs 30.9%), thanks to a more stable cedi.



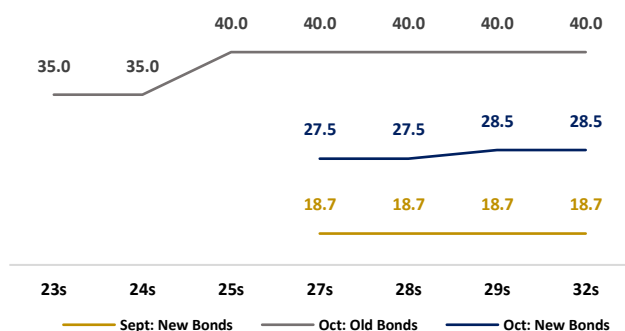
GHC/US\$ Exchange rate vs. Inflation



TREASURY YIELD CURVE

- Trading on the old bonds remained flat over the past month. On the other hand, the new bonds realised an absolute increase of about 8.8% in yields on the short end while the yields increased by an absolute 9.8% on the medium to long-term end.

Yield Curve



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EQUITIES MARKET

- The stock market was bearish within the month with the GSE Composite Index losing ▼1.47% in the month. However, the Financial Stock Index gained ▲4.72% on a monthly basis;
- Trading volumes and values were lower as compared to the previous month.

Index

GSE-CI	3,125.62	MoM ▼ 1.4%	YTD ▲ 27.9%
GSE-FSI	1,979.43	MoM ▲ 4.7%	YTD ▼ 3.6%
Mkt Cap.	73,736.96	MoM ▼ 0.6%	YTD ▲ 14.3%

Top Gainers




EGH	GHC 5.90	MoM ▲ 37.2%	YTD ▼ 11.1%
ACCESS	GHC 3.40	MoM ▲ 9.6%	YTD ▼ 15.2%
BOPP	GHC 19.93	MoM ▲ 6.9%	YTD ▲ 160.5%

Top Losers



RBGH	GHC 0.50	MoM ▼ 7.4%	YTD ▼ 7.4%
MTNGH	GHC 1.37	MoM ▼ 5.5%	YTD ▲ 55.7%
CAL	GHC 0.50	MoM ▼ 3.9%	YTD ▼ 23.1%

COMMODITIES MARKET

- Oil prices settled lower at the end of October compared to the end of September as markets worried less about potential supply disruptions from the Middle East conflict as well as data showing rising output from OPEC and the United States.

	52-week Low	Current Price	52-week High
	70.12	87.41	99.56
	1,616.59	1,982.85	2,062.83
	2,214.88	4,108.93	

UPCOMING EVENTS

-  Presentation of 2024 Budget | November 2023
-  MPC Press Release | 27th November, 2023

* MoM – month on month YTD – year-to-date

EFFECT OF THE DEBT EXCHANGE ON PENSION FUNDS

- The Government of Ghana announced on July 31, 2023 that it was inviting Pension Funds holding Government notes and bonds, E.S.L.A. Plc and Daakye Trust Plc to exchange approximately GHC31 billion principal amount for a package of new bonds;
- The new bonds, with maturity in 2027 and 2028, will have an average coupon of 8.4%, in addition to a 15% increase in the principal value. Further, there will be two additional cash payment instruments with a 10% coupon;
- At the end of the offer period, the pensions fund exchange programme made a 94% exchange success rate.

Some Implications on Pension Fund and Payout Liquidity



In the short-term, the market uncertainty created by the domestic debt exchange has led to a loss of confidence that is affecting the tradability of Government bonds. Investors may shift their preferences towards other types of investments or assets which can further reduce the tradability of the bonds.

Income Disruption



Pension fund managers purposefully held bonds with staggered maturities and coupon payment dates in order to align with withdrawals as and when they fall due. The current state of the exchange bonds does not give that opportunity to these funds in that regard. This is because the payment dates have all been bulked up into two (2) specific dates in each year, i.e. February and August of each year until maturity.

Effect on Pension Payout



The impact on pension payouts depends on how effectively fund manages reinvest payments from coupons and maturing bonds. If suitable reinvestment options are available, pension funds might be able to maintain pension payouts. However, if reinvestment opportunities are limited, there could be challenges in sustaining the same level of payouts.

Summary

Pension funds seem to be better off in the long-term under the new or exchange bond structure because of the 15% increase in principal amount tendered. In the short-term however, there is the need for careful assessment of the potential challenges in maintaining income flow, managing reinvestment, and ensuring the long-term sustainability of payouts. Portfolio rebalance may be necessary to allow for new inflows in-between the coupon and maturity payment dates to be able to meet liquidity needs.

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