

WEEKLY FIXED INCOME REPORT



Date Issued | 3rd February, 2020

Primary Debt Market

- As has been the trend over the past few weeks, all bids tendered in this week's GoG auction were accepted. Nonetheless, the GoG missed its auction target of GHS 1,649.00 million, raising only GHS 960.12 million in 91, 182 and 364 day treasury bills. 48% of bids were raised in 91 day bills, whilst the 182 day and 364 day bill accounted for 11.6% and 40.0% of total bid raised, respectively. Next week, the GoG seeks to raise a lower amount of GHS 711.00 million in 91 day and 182 day bills.

- Yields remained fairly stable, the 91 day bill remained unchanged at 14.69%. The 182 day bill however dipped by a minimal 1 bp from 15.15% in the preceding week to 15.14%. Down 7 bps was the 364 day bill which saw yields drop from 17.88% last week to 17.81%. Thus far in the year, yields have been seen to fluctuate marginally across the 91, 182 and 364 day bills after increasing slightly across maturities last year.

- The Monetary Policy Committee (MPC) of the Bank of Ghana after deliberating on recent global and domestic economic conditions kept the policy rate unchanged at 16%, for the sixth consecutive time. The MPC cited balanced risks to inflation and growth. Nonetheless, considering the looming fiscal risks ahead of the 2020 elections and the possible effects on interest rates and the currency, the MPC was unable to cut the policy rate as markets expected. Looking ahead, 'the economy is positioned firmly on the path of stability with inflation forecasted to stay within the medium term target band of 8+/-2 percent, barring any unanticipated shocks'.

Secondary Debt Market

- Secondary market activity last week was subdued as market participants shifted focus to the MPC meeting and the Eurobond roadshow. Total market turnover declined by GHS 735.75 million from GHS 2,594.27 million in the preceding week to GHS 1,858.53 million. Weekly declines of GHS 34.01 million, GHS 646.59million and GHS 144.01 million were observed across 2 year, 3 year and 5 year bonds.

- The downward trend in yields extended over last week, with the secondary market largely better bid with interest mainly from foreign investors at the mid to tail of the yield curve. Yields on the July 2024 dropped by 23 bps to 20.73%. The January 2025 maturity also dealt 29 bps lower at 20.39%. The July 2034 traded averagely around 20.25%, after yields declined by 91 bps.

- Yields are expected to decline further in the weeks ahead on the back of sustained positive market sentiment. The MPC by maintaining the benchmark policy rate at 16% confirms to investors the commitment to protect the Ghana Cedi from depreciation pressures thereby protecting the value of their investments in Ghana. Data released by the Bank of Ghana also projects an economy positioned firmly on the path of stability. The cumulative trade surplus for the year-to-December 2019 augmented to \$2.3bn from \$1.8bn compared to the corresponding period in 2018. Gross International Reserves also rose to \$8.4bn in December 2019 (4.0 months of imports) from \$7.8bn in November 2019 (3.8 months of imports). Again, fiscal data shows a primary balance of 0.9% of GDP in December 2019 (compared to -0.3% of GDP in September 2019). Total public debt is also seen to have reduced marginally to \$39bn (GHS214.9) at the end of November 2019, down from \$39.4bn (GHS210.5bn) in October 2019.

REVIEW: Other Treasury Markets

Egypt: As part of its commitment to deepen the Nigerian capital market, the Nigerian Stock Exchange (NSE) over the weekend listed Interswitch Limited's N23 billion (\$63.5 million) bond. The Callable Senior Unsecured Bond with a tenor of 7 years, at a fixed rate of 15%, is part of a N30 billion Debt Issuance Programme issued through a Special Purpose Vehicle (SPV) – Interswitch Africa One Plc. 64% of the proposed bonds were allocated to pension fund managers, 22% to commercial banks and 7% to asset managers. Interswitch is a leading technology-driven company with a focus on the digitization of payments for its over 32 million consumers in Nigeria and other African countries.

Kenya: South African investors are currently worried about the potential damage that may be caused to their savings by a cut in the credit rating of South African debt to junk or speculative grade by Moody's. Such a cut will see South Africa exiting global bond index trackers and a massive amount of government bonds are likely to hit financial markets, looking for new buyers. The South African rand is also currently trading at a discount of 8% to a basket of emerging market currencies, based on the MSCI EM Index in US dollars. As witnessed by the deepening discount of South African assets, most major players, locally and global have hedged their funds ahead of the much anticipated downgrade by Moody's and other major credit rating agencies.

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	31/02/20	465.74	465.74	14.69	14.69	0.00
182 day	31/02/20	111.66	111.66	15.15	15.14	(0.01)
364 day	31/02/20	382.72	382.72	17.88	17.81	(0.07)

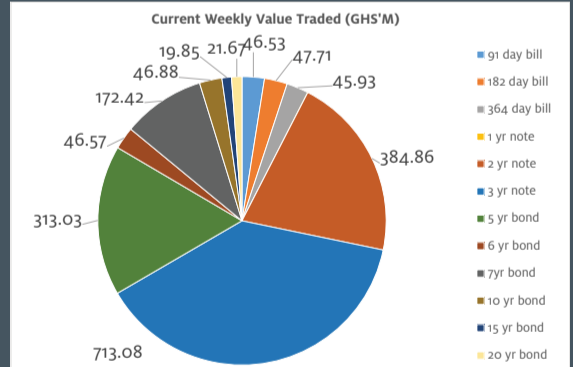
Source: Bank of Ghana

Secondary Market

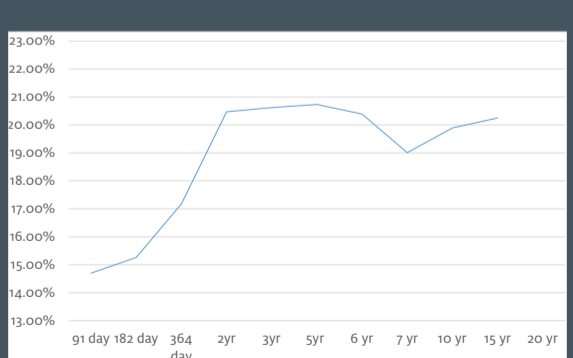
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.63	14.70
182 day bill	93.37	15.22
364 day bill	86.03	17.09
2 year note*	102.63	19.16
3 year note*	102.66	20.71
5 year bond*	95.85	20.96
6 year bond*	100.95	20.68
7 year bond*	85.66	20.86
10 year bond *	99.69	19.86
15 year bond*	94.78	21.16
20 year bond *	99.35	20.33

*Benchmark security.
 364 day -- November '20
 2yr -- November '21
 3yr -- January '23
 5yr -- July '24
 6yr -- January '25
 7yr -- April '25
 10yr -- June '29
 15yr -- July '34.
 20 yr- August '39

Secondary Market Trade



Treasury Bill & Bond Yield Curve



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