

WEEKLY FIXED INCOME REPORT



Date Issued | 6th January, 2020

Primary Debt Market

- In GoG's first auction for the 2020 financial year, a total of GHS 499.91 million was raised. Despite the acceptance of all bids tendered, the amount raised came in GHS 93.09 million short of the GHS 593.00 million that was targeted. The 91 day bill accounted for about 70% of bids, raising GHS 351.31 million. The 182 day and 364 day bill also raised GHS 100.94 million and GHS 47.66 million respectively. The GoG seeks to raise a higher amount of GHS 657.00 million in 91 day and 182 day bills in the next auction.

- For the 182 day bill, there was a 2 bps increment in yields from 15.15% in the preceding week to 15.17%. The 91 day and 364 day bills however, saw rates down by 3bps and 7bps to 14.67% and 17.83% respectively, week-on-week.

- The GoG intends to issue gross amounts of GHS 19.19 billion worth of debt for Q1'20 of which GHS 15.70 billion is to rollover maturities for the period Jan-Mar'20 whilst GHS 3.4 billion will be fresh issuance. Specifically, for January, a GHS1bn 3-year bond is scheduled to be issued, while GHS1.8bn worth of 2-year note and GHS900mn of 5-year bond will be issued in February. GHS1.5bn (3-year), GHS1bn (5-year) and GHS287 (20-year as shelf offering) will also be issued in Mar '20. In other news, ESLA Plc extended its offer of GHS 260 million of energy bonds from 27th December 2019 to 10th January 2020. The SPV currently has outstanding bonds of GHS6bn in 7-yr and 10-year bond maturities under its GHS10bn program. The issuance would be a 12 year issuance with initial pricing between 19.50% and 20.00%.

Secondary Debt Market

- The secondary market started the year on a rather dull note, with a total of GHS 601.19 million exchanging hands. This compares to the GHS 796.45 million raised in the preceding week. Value traded declined mainly across the belly to tail of the curve. Trades for 3 year bonds in circulation declined by GHS 110 million whilst that of 5 year bonds were GHS 69.86 million lower. At the longer end, 10 year bonds witnessed a GHS46.16 million decline in turnover, whilst 20 year bonds saw a GHS23.23 million drop in value traded.

- With the exception of the July 2034 and August 2039 maturities, yields declined across the curve. The November 2021 closed at 19.94%, from 20.63% when it was last traded about a fortnight ago. The July 2024, January 2025 and April 2025 were also seen 42bps, 47bps and 40bps lower respectively. The June 2029 was however illiquid in the week under review.

- The decline in US treasury yields on the back of US/Iranian tensions is expected to draw some investor interest in higher yielding Emerging Market (EM) debt, at least for the short term. Lingering concerns around the country's increasing debt stock and its sustainability in the medium term continues to pose upside risk to yields in the medium-term, particularly as elections approach.

REVIEW: Other Treasury Markets

- **Nigeria:** Last week on the Nigerian domestic bond market, yields dipped by an average 14 bps as local investors continue to bargain-hunt for attractive yields in the market. The market has continued to enjoy buying interest, especially in the attractive short dated bond instruments, given the relatively low yield environment in the Nigerian Treasury-Bills market. As a result, average yield settled at 10.7% week-on-week. The January 2022 maturity instrument enjoyed most buying interest, with yields 131 bps lower; trailed by the March 2025 (-62 bps) and the March 2027 (-58 bps) respectively. The Nigerian bond market is expected to stay bullish in the coming weeks as local investors continue to seek alternatives to reinvest maturing OMO bills. (Proshareng)

- **Ethiopia:** According to Bloomberg reports, Egypt remains a favorite among portfolio investors. Carry traders, attracted by yields of around 14% on pound bonds, have flocked to the Arab nation. The currency has rallied 12% this year, its best performance in at least 25 years - and Société Générale SA forecasts it will gain another 4.5% to 15.35% per dollar in 2020. However, reforms of President Abdel-Fattah El-Sisi are yet to translate into the foreign direct investment and jobs that Egypt badly needs. Aware of that, investors will watch to see if there's any repeat of the anti-government protests in September that briefly rocked local markets.

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	03/01/2020	351.31	351.31	14.70	14.67	(0.03)
182 day	03/01/2020	100.94	100.94	15.15	15.17	0.02
364 day	03/01/2020	47.66	47.66	17.90	17.83	(0.07)

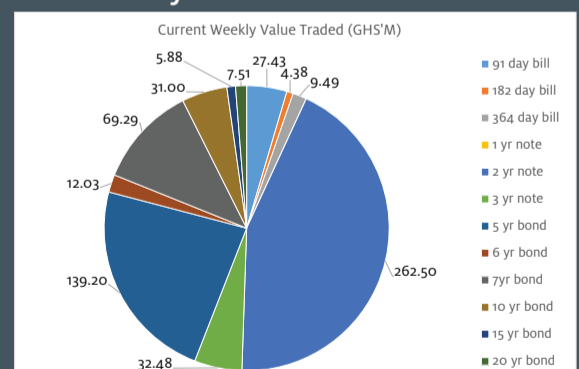
Source: Bank of Ghana

Secondary Market

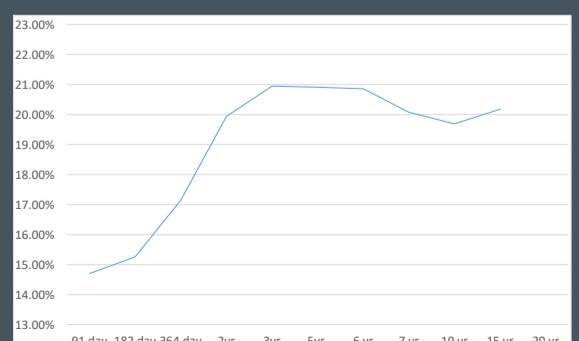
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.67	14.70
182 day bill	93.23	15.26
364 day bill	90.31	17.14
2 year note*	101.49	19.94
3 year note*	97.66	20.95
5 year bond*	95.97	20.91
6 year bond*	100.36	20.86
7 year bond*	87.81	20.08
10 year bond *	100.42	19.69
15 year bond*	99.15	20.18
20 year bond *	99.16	20.36

*Benchmark security.
 364 day -- November '20
 2yr -- November '21
 3yr -- May '22
 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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