

WEEKLY FIXED INCOME REPORT



Date Issued | 6th April, 2020

Primary Debt Market

- The 91 day and 182 day bills were the only securities auctioned in this week's GoG treasury auction. A total of GHS 521.22 million was received in bids, exceeding the targeted amount of GHS 452.00 million. Only about 93% (GHS 488.18 million) of bids tendered were however accepted, still exceeding the initial targeted amount. Of the GHS 397.31 million tendered for the 91day bill, GHS365. 83 million was accepted. Similarly, GHS 122.35 million was raised in 182day bills from the GHS 123.91 million that was tendered. In next week's auction, the GoG aims to raise GHS 1,099.00 million in 91 day, 182 day and 364 day bills.

- Yields continue to extend the downward drift. This week, both the 91day and 182 day bills lost 20 bps. The 91day bill was seen at 14.44% from 14.64% last week. In the same light, the 182day bill was also at 14.95% from 15.15% the week before.

- For Q2'2020, the GoG seeks to raise GHS 17.96 billion in bonds from the domestic market. This is about 6% less than the GHS 19.09 billion targeted for Q1. Of this amount, GHS 13.68 (76.17%) is to be used to rollover and settle some existing maturities. The remaining GHS 4.28 billion will be fresh issuances used to finance governments expenditure plans as highlighted in the budget.

Secondary Debt Market

- Activity on the secondary market last week slowed. Market volume stood at GHS 1,850.49 million, down GHS 793.19 million from the turnover of GHS 2,643.68 million recorded the week before. Much of this decline in value traded was observed at the mid to long end of the yield curve. On the run 3 year and 5 year bonds saw trades GHS 371.83 million and GHS 869.75 million lower respectively. Longer-term 10 year and 15 year bonds also traded less by GHS 140.90 million and GHS 13.64 million individually.

- Yields posted some mixed results. The January 2023, January 2025 and June 2029 maturities saw yields decline by 63 bps, 33bps and 4 bps respectively to stand at 20.82%, 21.67% and 19.80%. Yields were however elevated across the March 2025, April 2025, July 2034 and August 2039 maturities respectively. The longer dated July 2034 and August 2039 traded a minimal 5bps and 3 bps higher at 20.36% and 20.29% correspondingly.

- Offshore traders were seen more on the supply side whilst local asset managers remained on the demand side. On the whole however, the market largely remained net bid. Looking ahead, we expect improved GHS liquidity to support this trend over the coming week. Furthermore, per government's issuance calendar for Q2, we can also expect issuances of a 3 year and 7 year bond this month which should boost secondary market activity. This is also likely to dampen demand for the currently trading 3 year bonds.

REVIEW: Other Treasury Markets

Nigeria: Dangote Cement Plc is seeking to raise up to N100 billion from the Nigerian bond market under its N300 billion Bond Issuance Programme. Funds raised from the debut offering in the bond market would be utilized to refinance exiting short-term debt previously applied towards cement expansion projects, working capital and for general corporate purposes. The bond, a medium-term debt paper, being issued for the first time signifies confidence in business growth and in the Nigerian economy's long term growth. The company noted that it registered a N150bn Commercial Paper programme in 2018 and had issued an aggregate amount of N300bn since the establishment of the programme. **Read more:** <https://bit.ly/39OFvym>

South Africa: In another blow to South Africa's economic outlook, agency Fitch Ratings on Friday dropped South Africa's investment grade further into negative territory, to 'BB' from 'BB+', citing "the lack of a clear path towards government's debt stabilisation as well as the expected impact of the coronavirus shock on public finances and economic growth". Fitch's downgrade comes as a fresh blow as the country battles the Covid-19 fallout. Despite the downgrade and severe disruption in global financial markets, Fitch acknowledges South Africa's resilience to external shocks with the country not yet joined the 20 SSA countries seeking help From the IMF. **Read more:** <https://bit.ly/2yBVIPH>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	27/03/2020	397.31	365.83	14.64	14.44	(0.20)
182 day	27/03/2020	123.91	122.35	15.15	14.95	(0.20)

Source: Bank of Ghana

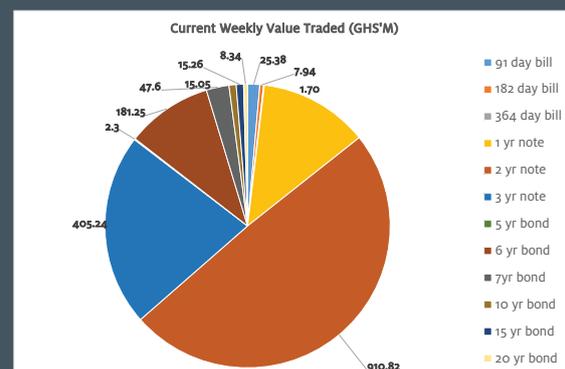
Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.83	14.70
182 day bill	93.39	15.26
364 day bill	85.18	17.17
2 year note*	100.60	19.74
3 year note*	112.61	20.82
5 year bond*	96.74	22.82
6 year bond*	97.93	21.67
7 year bond*	86.14	20.84
10 year bond *	99.89	19.80
15 year bond*	98.24	20.36
20 year bond *	98.48	20.29

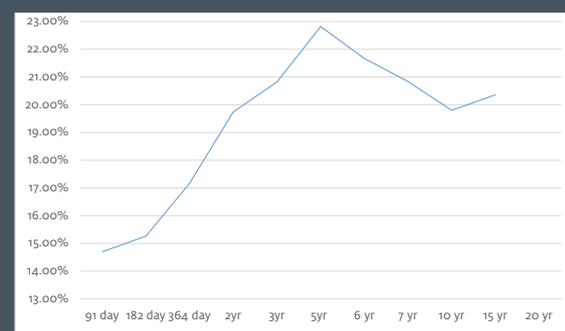
*Benchmark security.

91 day - June '20
 182 day - September '20
 364 day - March '21
 2yr - February '22
 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



WEEKLY FIXED INCOME REPORT



Date Issued | 6th April, 2020



**Scrolling?
Pause and
sanitize.**

Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

Anthony Asare
Email: akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

GCB Securities Ltd.

Michelle N.O Dadey
Email: mnodadey@gcb.com.gh
Tel: 0559 733 990 0302 945848

Head Office:

No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

Disclaimer

This document has been prepared by the Research Department of GCB Bank Limited solely for information purposes and does not constitute any legally binding obligations on GCB. Any views expressed are those of the Research Department. Any views and commentary in this communication (the views) are short term views of the GCB Research Department from which it originates (the authors) and are not a personal recommendation and do not take into account whether any product or transaction is suitable for any particular investor.

Whilst the information provided in this document has been prepared by GCB Research Department based upon or by reference to sources, materials that GCB believes to be reliably accurate, GCB does not guarantee its completeness or accuracy. The message is for information purposes only as of the date hereof and are subject to change. It is not a recommendation, advice, offer or solicitation 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 document 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 is not obliged to inform readers of any such change to such opinions or estimates. This document do 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. In particular it is recommended for interested parties to check that the information provided is in line with their own circumstances with regard to 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.