

WEEKLY FIXED INCOME REPORT



Date Issued | 20th January, 2020

Primary Debt Market

- After all bids tendered were accepted, a total of GHS 2,315.39 million was raised in last week's GoG treasury auction. Together with the weekly issued 91 day and 182 day bills, a 3 year bond was also issued in the auction. The 3 year bond had an Initial Pricing Guidance (IPG) of 20.35%-20.75% and cleared at the upper band of 20.75%. The 91 day and 182 day bills alone totaled GHS 868.00 million, exceeding the targeted amount of GHS 822.00 million. The target for this week's auction is GHS 925.00 million in 91,182 and 364 day bills.

- Generally, stable inflation and somewhat positive economic sentiment have underpinned relatively stable yields on the primary market. The 91 day bill closed the auction 1 bp higher at 14.70%, whilst the 182 day bill closed flat at 15.17%. The 3 year bond was up 105 bps from 19.70% when it was last issued on the primary market in May last year, to 20.75%.

- Looking ahead, the Monetary Policy Committee (MPC) of the Bank of Ghana will hold its 92nd regular meeting from next week Monday 27th January to review developments in the economy. On the back of the recent fall in inflation, markets expect the MPC to marginally cut its policy rate, for the first time in exactly a year. The country's policy is currently at 16%.

Secondary Debt Market

- Total market turnover on the secondary bourse last week stood at GHS 1,701.6 million. This reflected a GHS 941.65 million jump in value traded, week-on-week. This came largely on the back of trade increases across the curve, with the exception of 1 year notes which have remained illiquid since the start of the year and the longer dated 15 year and 20 year bonds which saw value decline by GHS 20.33 million and GHS 5.44 million respectively.

- Yields last week on the secondary market largely declined, with the secondary market largely net bid particularly across the belly and tail of the curve. The July 2024 dealt 48 bps lower at 20.83% whilst the January 2025 changed hands 6 bps lower at 20.72%. The June 2029 maturity also traded 104 bps lower at 20.51%. The August 2039 and May 2022 maturities however remained unchanged at 20.75% and 20.37%. The May 2022 did not trade in the week under review as investors anticipated the new 3 year issuance during the week. A total amount of GHS1.4bn was raised from the new issuance maturing in January 16 2023 following growing interest from both local and offshore investors.

- In the weeks ahead, market focus is likely to remain on the upcoming \$3 billion Eurobond, which the GoG aims to issue by the first week in February. Yields on Ghana's 2029 Eurobond hit a record low last week, with Ghana's economy expanding by more than 6% annually since 2017 on the back of additional oil exports.

REVIEW: Other Treasury Markets

- **Nigeria:** Demand for Treasury bills on the Nigerian bonds market intensified last week. This came on the back of the Central Bank of Nigeria's (CBN) policy to restrict domestic investors from the OMO market as well as robust system liquidity levels which continued to support market sentiment. Consequently, average yields on treasury bills across all tenors declined by 98 bps week-on-week to settle at 6.3% on Friday. Much of the buying interest was seen at the short to medium end of the curve, particularly the 16-Jan-20 (-229bps), 12-Mar-20 (-228bps) and 15-Oct-20 (-216bps) maturities. (Proshar-eng) <https://bit.ly/3a6KlrS>

- **South Africa:** The National Treasury last week issued its first government bond auction for the year, worth R4.53 billion, in a bid to shore up the economic purse ahead of the crucial Budget next month. High yields and the country's low inflation rate is expected to result in foreign investors having a great appetite for South Africa's government bonds this year, despite the looming threat of a credit-rating downgrade. Markets also anticipate that South African bonds could see some further strength in 2020 if the country manages to avoid a Moody's downgrade to junk status. South African bond yields declined towards the end of last year, with the yield on the 10-year generic government bond (Govi) dropping from 9.17 percent early in December to 8.87 percent. But in the first few days of January, yields rose somewhat to 8.98 percent for the Govis.

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	17/01/2020	584.97	584.97	14.69	14.7	0.01
182 day	17/01/2020	283.03	283.03	15.17	15.17	0
3 year	17/01/2020	1,447.39	1,447.39	19.7	20.75	1.05

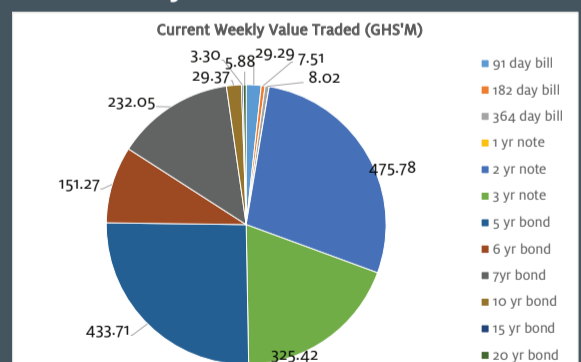
Source: Bank of Ghana

Secondary Market

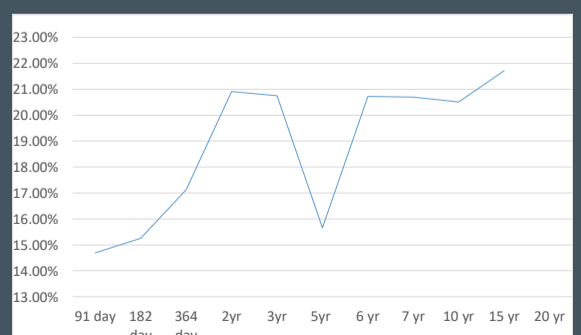
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	93.34	14.7
182 day bill	93.49	15.26
364 day bill	85.50	17.17
2 year note*	100.59	20.51
3 year note*	98.02	20.75
5 year bond*	94.92	21.31
6 year bond*	100.38	20.86
7 year bond*	85.02	20.08
10 year bond *	93.01	21.55
15 year bond*	96.16	20.85
20 year bond *	99.13	20.37

*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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