

WEEKLY FIXED INCOME REPORT



Date Issued | 22nd June, 2020

Primary Debt Market

- For the GHS 749.00 million targeted in last week's treasury auction, a total of GHS 926.72 million was raised. In all, the auction was oversubscribed by GHS 227.62 million with GHS 49.90 million bids rejected across the 91 day and 182 day bills. The GoG sold GHS 786.10 million in 91 day bills, accounting for over 80% of bids raised, and sold GHS 140.62 million in 182 day bills, accounting for the remaining 20% of accepted bids. In the week ahead, government seeks to raise GHS 1,238.00 million in 91 day, 182 day and 364 day bills.

- Yields advanced on the primary market. The 91 day bill inched up by 8bps to close last week's auction at 14.01% from 13.93% a week before. The 182 day bill also inched up by 2 bps to 14.06% from 14.04%, week on week.

- The market currently anticipates Tuesday's announcement of the Initial Price Guidance (IPG) for the 5 year bond which has been forecasted to be in the range of 18.75% -19.00%.

Secondary Debt Market

- The secondary market was quiet for the most part of last week. The market recorded an aggregate value of GHS 1,392.84 million, down GHS 1,076.13 million from the GHS 2,468.97 million raised in the previous week. Trades declined along the mid to tail end of the curve. The 3 year and 5 year bonds saw trades dip by GHS 243.01 million and GHS 186.81 million respectively. At the tail of the curve, the 10 year bond saw turnover drop by GHS 320.07 million whilst that of 15 year bonds declined by GHS 235.12 million.

- The market appeared net offered with yields advancing across the curve. Selling interest was seen mainly from offshore investors, though not too aggressive, whilst local participants sat mainly on the sidelines in what seemed like a wait for some information on the upcoming 5 year bond issuance. At the belly of the curve, the May 2023 changed hands 4 bps higher at 18.55% whilst the January 2025 closed at 19.26% after a 7 bps increase in yield. The longer dated July 2034 and August 2019 maturities also saw yields extend by 6 bps and 2 bps respectively. We anticipate much higher trading activity in the coming week following the new 5 year bond issuance.

- In the news, Ghana's economy is said to have grown by 4.9% year-on-year, in the first quarter of 2020 compared to 6.7% in the same period last year. The nation has been one of Sub-Saharan Africa's fastest-growing economies in recent years, but the central bank last month downgraded its 2020 growth forecast to between 2% and 2.5% from an earlier expectation of 6.8% due to the impact of the coronavirus pandemic.

REVIEW: Other Treasury Markets

Nigeria: The current business climate together with the impact of the Coronavirus (COVID-19) pandemic has seen most corporates and business entities look to the debt capital market as a viable avenue to raise capital in Nigeria. This comes as the FMDQ Exchange Limited admitted debt securities valued at over N25 billion to its platform. The issues admitted include the FBN Merchant Bank Funding SPV Plc Series-1, N5.00 billion Fixed Rate Senior Unsecured Bond, Coronation Merchant Bank Limited N6.00 billion Series-9 and N9.00 billion Series-10 Commercial Paper (CP) notes under its N 100.00 billion CP issuance programme as well as the Mixta Real Estate Plc N 3.30 billion Series 20 – 23 CP notes under its N 20.00 billion CP issuance programme on its platform. The admission of these debt securities on its platform are reflective of the potential of the Nigerian debt capital market and the commendable level of confidence demonstrated by both issuers and investors in the market. **Read more: <https://bit.ly/37XtTd4>**

South Africa: South African government bond yields are climbing ahead of next week's adjusted budget as investors contemplate what could be the widest fiscal deficit since World War I. The country is already borrowing at a rate of more than R1 billion a day, but even that may not be enough to plug a hole in government finances of as much as 15% of Gross Domestic Product (GDP), according to Investec. Finance Minister, Tito Mboweni, warned of deep spending cuts when he presents the adjusted budget on Wednesday, but investors are also concerned about an increase in borrowing. While weekly debt sales — now totaling R7.5 billion in nominal and inflation-linked securities remain oversubscribed. Yields on benchmark 10-year rand notes have climbed 68 basis points from a one-year low on June 3 to 9.3%, the highest among major emerging markets monitored by Bloomberg. That makes South African bonds the worst performers in the period, with a negative return of 7% compared with an average loss of 0.6% among developing nations. **Read more: <https://bit.ly/3exSUow>**

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	19/06/2020	836.00	786.10	13.93	14.01	0.08
182 day	19/06/2020	140.62	140.62	14.04	14.06	0.02

Source: Bank of Ghana

Secondary Market

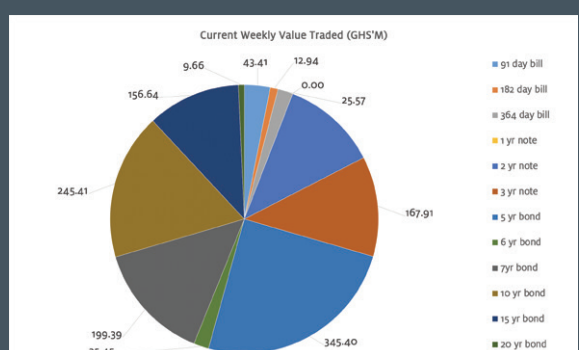
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.79	13.62
182 day bill	93.67	14.10
364 day bill	91.90	15.90
2 year note*	104.18	16.06
3 year note*	100.62	18.55
5 year bond*	104.09	20.30
6 year bond*	105.08	19.26
7 year bond*	90.00	19.52
10 year bond *	99.48	19.92
15 year bond*	97.39	20.56
20 year bond *	98.05	20.39

Source: Central Securities Depository

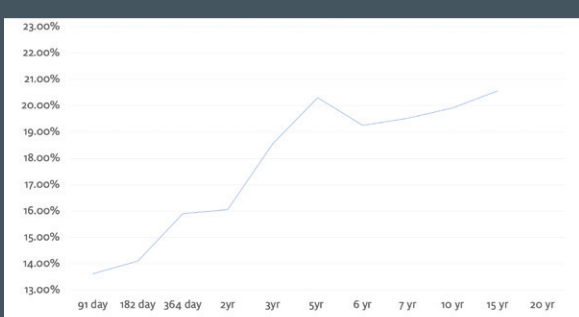
*Benchmark security.

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



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