

WEEKLY FIXED INCOME REPORT



Date Issued | 23rd March, 2020

Primary Debt Market

- The GoG raised a total of GHS 1,141.36 million in last week's auction from the issuance of a 5 year bond as well as the weekly issued 91 day and 182 day bills. Total amount raised for the 91 day and 182 day bills came in GHS 71.17 million lower than the targeted amount of GHS 754 million for said securities although all bids tendered were accepted across tenors. The 91 day and 182 day bills raised GHS 592.76 million and GHS 90.07 million, accounting for 52% and 8% of the total amount raised respectively. The 5 year bond raised a sum of GHS 458.53 million, representing 40% of the total amount raised in the auction. The GoG is expected to raise GHS 715 million in the next primary auction, from the issuances of 91 day, 182 day and 364 day bills.

- Yields remained relatively stable for the 182 day bill which closed the auction unchanged at 15.18%. The 91 day bill however, closed the auction 1 bp lower at 14.75%. The newly issued 5 year bond was issued at a rate of 21.70% (upper band of the IPG) higher than when it was last issued in July 2019.

- The Central Bank (CB) cut its benchmark interest rate by 150 basis points on Wednesday, March 18th to combat the economic impact of the virus. A reduction in banks' reserve requirements was announced shortly after by the CB. The limit was lowered to 8% from 10% and the bank also halved the conservation buffer to 1.5% from 3%, which effectively cut the capital-adequacy ratio to 11.5% from 13%.

Secondary Debt Market

- A total value of GHS 1,466.51 million was traded on the secondary market last week, down GHS 393.73 million from the GHS 1,860.24 million traded on the market in the previous week. Much of this decrease was seen at the mid-point of the curve. Trades in the 2 year note, 3 year and 6 year bonds decreased by some GHS 9.40 million, GHS 445.99 million and GHS 121.56 million respectively. At the long end of the curve, trades in the 7 year and 10 year bonds increased by GHS 63.44 million and GHS 18.32 million in that order while the 20 year bond decreased by GHS 1.45 million. The shorter dated 91 day and 182 day bills also increased in trades by GHS 2.94 million and GHS 2.04 million respectively. The 364 day bill however, was seen to have declined by some GHS 4 million.

- Yields were seen largely higher in the belly to the long end of the curve as the secondary market remained largely offered in the said regions. The July 2024 and January 2025 recorded gains of about 90 bps to 22.42% and 81 bps to 22.21% respectively. The April 2025 strengthened by 60 bps to close the trading week at 21.94%, whilst the July 2034 cleared at 20.73% reflecting a 37 bps increase in yields. The June 2029 and August 2039 also dealt 239 bps and 140 bps lower at 19.84% and 20.17% respectively. At the short end of the curve, yields remained same with the June 2020, September 2020 and March 2023 closing the week at 14.70%, 15.26% and 17.18% respectively

- The secondary market generally closed the week largely offered, on the back of global risk-off with few bids seen in the short-end of the sovereign bonds yield curve. Up ahead, yields are expected to remain elevated as coronavirus runs its full course and offshore investors continue to offload long positions in cedi.

REVIEW: Other Treasury Markets

Nigeria: It was a flurry of activity in the Nigerian Treasury Bills (NTB) market as demand from local banks pushed rates on OMO maturities downward especially at the long end of the curve. February & March maturities on the NTB market traded down to 15.25% levels (almost 100bps lower than the previous close), as local players contemplate lack of OMO supply by the CBN and looked to reinvest in maturities expected later in the week. Yields dipped by an average of 10bps across the benchmark OMO curve. At the Primary Market Auction, the Debt Management Office (DMO) sold a total N47.57bn, cutting its rates by 19bps, 38bps and 70bps across the 91, 182 and 364 day tenors respectively. **Read more:** <https://www.proshareng.com>

South Africa: South Africa's inflation is reported to be at its highest level in 15 months, fuelled by a 14% increase in gasoline prices in February compared to the same month last year. According to the South African Bureau of Statistics, consumer prices rose by 4.6% year-on-year, up from 4.5% in January. It is however unlikely that this increase will deter the central bank from cutting the benchmark interest rate on Thursday, March 26th. Inflation is expected to moderate going forward on account of the sharp drop in oil prices. This could lead the central bank to revise its price growth forecast for the year downward from the current 4.7%. It is also likely that the monetary policy committee will reduce its forecasts for the expansion of an economy that has sunk into a second recession in two years, even before the coronavirus intensified. The annual core inflation, which excludes the prices of food, non-alcoholic beverages, fuel and electricity, accelerated to 3.8% from 3.7%. **Read more:** <https://www.africanews.com>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	20/03/2020	592.76	592.76	14.76	14.75	0.01
182 day	20/03/2020	90.07	90.07	15.18	15.18	0.00
5 year	20/03/2020	458.53	458.53	19.50	21.70	2.20

Source: Bank of Ghana

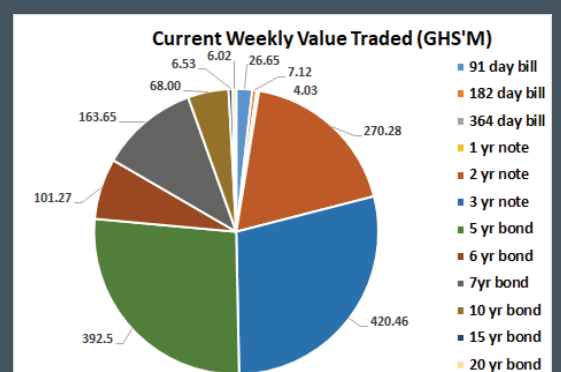
Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.74	14.70
182 day bill	92.91	15.26
364 day bill	85.44	17.18
2 year note*	101.87	18.94
3 year note*	149.50	21.51
5 year bond*	92.07	22.42
6 year bond*	125.95	22.21
7 year bond*	83.11	21.94
10 year bond *	99.72	19.84
15 year bond*	96.56	20.73
20 year bond *	99.11	20.17

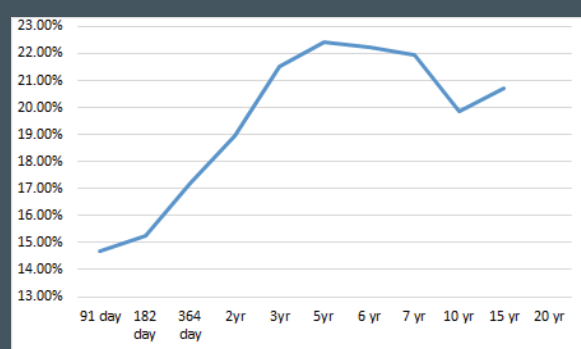
*Benchmark security.

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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Scrolling? Pause and sanitize.

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