

# WEEKLY FIXED INCOME REPORT



Date Issued | 27th January, 2020

## Primary Debt Market

- Following the acceptance of all bids tendered in this week's auction, the GoG raised a total of GHS 929.48 million. This amount came in GHS 4.48 million higher than the targeted amount of GHS925.00 million. The 91 day bill accounted for about 76% of total bids accepted raising GHS 708.87 million, whilst the 182 day bill accounted for approximately 21% of bids at GHS 195.47 million. A minimal 2% of bids were seen in 364 day bills. Next week, the GoG seeks to raise a higher amount of GHS 1,649.00 million in 91, 182 and 364 day bills.

- Yields showed mixed results. The weekly issued 91 day and 182 day bills saw yields dip slightly by 1 bp and 2 bps respectively. Consequently, the 91 day bill stood at 14.69% and the 182 day bill stood at 15.15%. The 364 day bill on the other hand inched up by 5 bps from 17.83% when it was last issued about 3 weeks ago to 17.88%.

- The Monetary Policy Committee (MPC) of the Bank of Ghana holds its policy meeting this week, with an announcement of a policy rate decision expected this Friday, the 31st of January, 2020. The policy rate has been maintained at 16% since January last year as the Central Bank aims to keep inflation well within the target band of 8 to 10 percent. The market expects the policy rate to either be reduced slightly or maintained, with an increase far from expectation, as inflation for the month of December was 30 bps lower at 7.9%.

## Secondary Debt Market

- Activity on the secondary bourse last week increased with a total of GHS 2,594.27 million exchanging hands. This comes in GHS 892.67 million higher than the GHS 1,701.60 million that was raised a week before. The issuance of a new three year bond maturing January 2023 got much attention from the market with a total of GHS 1,359.67 million exchanging hands for the said security, up GHS 1,034.25 million on a weekly basis.

- Yields continued to decline on the secondary market, with trades seen mainly at the front end of the curve. At the shorter end of the yield curve, the November 2021 and January 2023 declined by 175 bps and 4 bps respectively to 19.16% and 20.71%. At the belly of the curve, the January 2025 closed at 20.68%, down by 4 bps. The longer dated June 2029 and July 2034 maturities changed hands averagely around 19.86% and 21.16%, reflecting dips in yield of 65 bps and 55 bps respectively. The August 2039 also saw yields drop by 4 bps to close the week at 20.33%.

- In the news, Moody's Investors Service on Friday affirmed the GoG's long term issuer and senior unsecured bond ratings at B3 and changed the outlook from stable to positive. Moody's also concurrently affirmed the rating of the bond enhanced by a partial guarantee from the International Development Association (IDA, Aaa stable) at B1. This reflects rising confidence in Ghana's economy as well as a positive outlook for fiscal stability over the medium term. We expect this to positively influence the performance of the 2020 Eurobond as the GoG prepares to go to the international market this week to raise \$ 3 billion under its International Funding Program.

## REVIEW: Other Treasury Markets

**Egypt:** Egypt plans to issue green bonds by the end of the current fiscal year, as it looks to diversify its debt offerings and draw in new foreign funds. Finance Minister Mohamed Maait said the plan was still being discussed and that the issuance may be denominated in US dollars or euros. Cost-cutting is a key part of Egypt's broader economic programme, which was kick-started in late 2016 with the devaluation of the currency in a bid to end a crippling dollar shortage. The moves helped secure a three-year, \$12 billion International Monetary Fund loan and shore up investor confidence but have yet to attract the sorely needed private sector growth the government is now focused on. Much of the foreign money that was secured over the past three years has been in the form of loans or investments in the debt market. Maait said that foreign holdings of Egyptian Treasury bills and bonds climbed to \$22 billion by the end of 2019, an inflow built around some of the most attractive yields in emerging markets.

**Kenya:** Kenya's first green bond has been cross-listed at the London Stock Exchange in a ceremony that saw President Kenyatta urge United Kingdom investors to use Kenya as a gateway to investing in Africa and as a bridge to the continent's emerging single market of more than 1.2 billion people under the African Continental Free Trade Area (AfCFTA). "Kenya is one of the top ten fastest growing economies on the continent and also one of the most pro-business nations in Africa," he said. The Sh4 billion bond by British property developer Acorn Holdings, which was first listed at the Nairobi Securities Exchange last week, is the first Kenya shilling denominated corporate green bond to be listed in the United Kingdom. The Nairobi-based developer intends to use the funds raised to build eco-friendly hostels for 50,000 university students in Nairobi.

## Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	24/01/2020	708.87	708.87	14.70	14.69	(0.01)
182 day	24/01/2020	195.47	195.47	15.17	15.15	(0.02)
364 day	24/01/2020	25.14	25.14	17.83	17.88	0.05

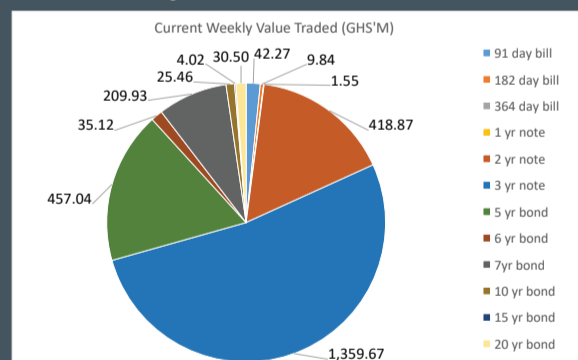
Source: Bank of Ghana

## Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.63	14.70
182 day bill	93.37	15.22
364 day bill	86.03	17.09
2 year note*	102.63	19.16
3 year note*	102.66	20.71
5 year bond*	95.85	20.96
6 year bond*	100.95	20.68
7 year bond*	85.66	20.86
10 year bond *	99.69	19.86
15 year bond*	94.78	21.16
20 year bond *	99.35	20.33

\*Benchmark security.  
 364 day -- November'20  
 2yr -- November'21  
 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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