

# WEEKLY FIXED INCOME REPORT



Date Issued | 27th April, 2020

## Primary Debt Market

- Of the GHS 1,146.57 million bids tendered for 91 day, 182 day and 364 day bills in last week's GoG auction, GHS 1,134.85 million bids were accepted. The amount accepted came in GHS 73.15 million lower than the targeted amount of GHS 1,208.00 million. As is the trend, the 91 day bill had the most bids and accounted for about 72% of bids raised. The 182 day bill followed suit, with 15% of bids raised, whilst the remaining 12% was accounted for by the 364 day bill. This week, government seeks to raise a total of GHS 603.00 million in 91 day and 182 day bills alone.

- Yields on the primary market gained some resilience last week, after about 4 weeks of consistently declining. The 91 day bill saw yields up by 17 bps from 13.85% to 14.025%. Similarly, the 182 day bill was up 4 bps to 14.03% from 13.99% in the previous week. The 364 day bill was however down a slight 5 bps at 16.74% from 16.79%, week-on-week.

- In the news, Fitch affirmed Ghana's long term foreign-currency Issuer Default Rating (IDR) at 'B' with a stable outlook. This reflects expectations of a steady recovery after the coronavirus pandemic shock and the availability of additional fiscal and external financing options to the Sovereign.

## Secondary Debt Market

- The secondary market last week saw a GHS 232.95 million increase in market turnover. A total of GHS 2,511.26 million changed hands on the market, compared to GHS 2,278.31 million that traded in the preceding week. With the exception of 6 year and 7 year bonds which saw trades dip by GHS 604.80 million and GHS 53.09 million respectively, all other traded securities witnessed increments in turnover. Value traded for 2 year and 3 year notes increased by GHS 32.63 million and GHS 196.29 million each. Furthermore, the traded 5 year and 10 year bonds also saw an increase in turnover by GHS 432.99 million and 184.97 million respectively. At the longer end, the 15 year bond witnessed a GHS 1.77 million increase in turnover whilst the 20 year bond saw turnover increase by GHS2.22 million, week-on-week.

- Local players dominated the secondary market in the week under review. Most trades were concentrated around the front end of the curve. On the whole, foreign investor participation was limited, with few offshore investors on the offer side. Little activity was seen around the back-end. At the long end of the curve, the July 2034 was illiquid, whilst the August 2039 closed the session at 20.28%, down a minimal 3 bps. At the belly of the curve, the March 2025 and January 2025 stood at 21.50% and 20.54% respectively.

- In the week ahead, there are expectations of market activity picking up slightly, as local asset managers seek to rebalance their portfolios to close the month. Also, the market is likely to look out for clues for the possible issuance of a 7 year bond. Per the Q2 issuance calendar, the government is expected to issue a 7 year bond before the end of April.

## REVIEW: Other Treasury Markets

**Nigeria:** The Debt Management Office (DMO) conducted the FGN Bond Auction for April 2020 on Wednesday, April 22, 2020. As has been the trend this year, the auction was oversubscribed. The DMO offered N60.00 billion Bonds across three (3) tenors to investors at the auction - N20.00 billion each for the 5-year, 15-year and 30-year tenors. The total subscriptions received through competitive bids for the 3 instruments was N275.67 billion, indicating an overall subscription level of 459%. Demand was very strong for all the instruments offered at the auction. A breakdown of the subscriptions shows that the sum of N49.70 billion or 248.50% was received for the 5-year bond; N107.47 billion or 537.35% for the 15-year bond and N118.50 billion or 592.25% for the 30-year bond. **Read more:** <https://bit.ly/2YbYHDZ>

**South Africa:** Investors aren't buying the South African government's assurance that it won't significantly increase debt sales to fund a massive economic rescue package. Yields on government rand-denominated bonds have climbed more than 50 bps since President Cyril Ramaphosa announced the 500 billion rand (\$26 billion) fiscal injection on Tuesday 21st April, 2020. To aggravate issues, nobody is quite sure how South Africa's exit from the FTSE World Government Bond Index (expected at the end of the month) will affect demand. Foreign investors, meanwhile, sold the country's debt at the fastest pace in more than a month on Tuesday 21st April, 2020. **Read more:** <https://bit.ly/3eZeNGY>

## Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	24/04/2020	833.20	821.48	13.85	14.02	0.17
182 day	24/04/2020	172.73	172.73	13.99	14.03	0.04
364 day	24/04/2020	140.64	140.64	16.79	16.74	(0.05)

Source: Bank of Ghana

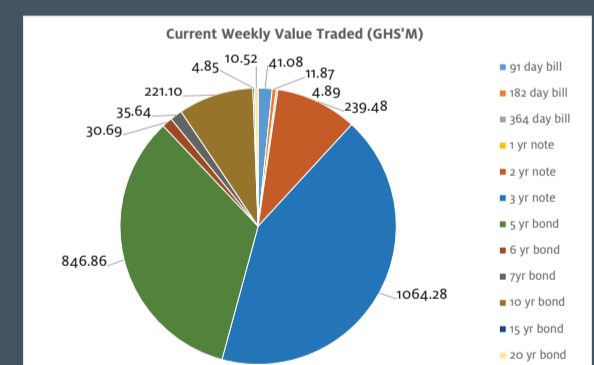
## Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.70	13.61
182 day bill	92.35	14.09
364 day bill	87.93	15.89
2 year note*	101.37	19.20
3 year note*	101.31	18.41
5 year bond*	100.50	21.50
6 year bond*	101.25	20.54
7 year bond*	87.53	20.35
10 year bond *	98.52	20.14
15 year bond*	98.27	20.35
20 year bond *	98.53	20.28

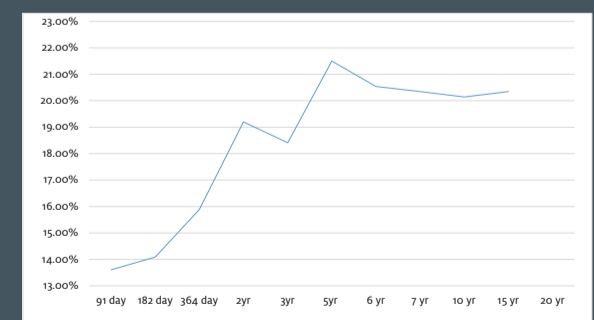
### \*Benchmark security.

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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