WEEKLY FIXED INCOME REPORT

GCB your bank for life

Date Issued | 1st June, 2020

Primary Debt Market

- In this week's GoG treasury auction, the weekly issued 91 day and 182 day bills and the bi-weekly 364 day bill were issued alongside a fresh 3 year bond. A total of GHS 1,327.10 million was raised in the auction after all bids tendered were accepted. The 91 day, 182 day and 364 day bills raised a total amount of GHS 575.77 million, GHS 547.23 lower than the targeted amount of GHS 1,123.00 million. A total of GHS 465.36 million and GHS 80.14 million were raised for the 91 day and 182 day bills respectively. The 364 day bill also raised GHS 30.27 million, whilst the 3 year bond raised the highest amount of GHS 751.33 million. The GoG aims to issue only the 91 day and 182 day bill in its next auction with a targeted amount of GHS 875.00 million.

- With the exception of the 182 day bill which inched up by 2 bps at 14.07%, yields of all bills declined. The 91 day and 364 day bills declined by 4 bps and 18 bps closing at 14.02% and 16.88% accordingly. Yield of the newly issued 3 year bond was also seen declining by 15 bps at 18.85% from 19.00% when it was last issued in April this year.

- Addressing Parliament on Thursday (28/05/2020), the Finance Minister, Mr. Ken Ofori-Atta, announced an agreement to trigger the emergency financing provisions under Section 30 of the BoG Act 2002 (Act 612). This agreement was made between the Governor of the Bank of Ghana, the Controller and Account-General and himself. The provisions, under the act, permit increasing the limit on the purchase of government securities by the BoG in the event of any emergency to help finance the residual expenditures. The government has therefore decided to launch a special COVID-19 Relief Bond Programme with a size of GH¢10 billion. The coupon rate is pegged to the prevailing monetary policy rate with a 10-year tenure and a two-year moratorium on both principal and interest payments.

Secondary Debt Market

- Trading activity on the secondary bourse last week recoiled significantly as participants mainly awaited information on the 3 year bond issuance. Trades decreased by GHS 1,180.70 million, from GHS 2,744.47 million to GHS 1,563.77 million. Much of this decline was underpinned by some significant drops in value traded across the 3 year, 5 year and 6 year bonds. The 3 year and 5 year bonds saw trades dip by GHS 464.24 million and GHS 121.16 million respectively. The 6 year bond also declined by GHS 621.45 million while the 20 year bond recorded no trades.

- The market was generally net bid with yields largely seen declining. Local players dominated the secondary bourse as portfolio managers attempted to find more favorable yields to enable them close their books before the end of the month. At the front to mid end, the May 2022 traded at an average of 18.28%, reflecting a 23 bps drop while the April 2023 strengthened by 39 bps closing at 18.95%. The January 2025 and June 2029 also declined by 37 bps at 20.10% and 66 bps at 21.44% respectively. However, at the long-end of the curve, the July 2034 closed the week lower by 22 bps at 20.40% while the August 2039 continued to remain illiquid.

- In the coming week, we expect the secondary market to continue its active theme with an increase in turnover at the belly of the curve due to the issuance of the new 3-year bond.

REVIEW: Other Treasury Markets

Nigeria: Demand in the Nigerian Treasury Bills (NT-Bills) secondary market was muted at the start of the 3-day trading session as investors anticipated the Primary Market Auction (PMA). Activity level picked up at the end of the week as demand - due to lost bids at the Open Market Operation (OMO) and PMA - filtered into the market. As a result, average yield across all tenors dipped marginally by 5bps W-o-W to close at 2.1% on Friday. Strong buying interests were witnessed across the short and medium-term bills. At the PMA, the Central Bank of Nigeria rolled over a total of N59.4 billion following a strong demand of N130.6 billion. All tenors were oversubscribed with the most demand recorded on the 182-day tenor which had a 2.9x bid-to-cover ratio. Consequently, stop rates across the short- and medium-term instruments closed lower at 2.45% and 2.72% respectively while the long-term instrument closed higher at 4.02%. **Read more:** Proshareng.com

Kenya: There's been a few speculations by some Kenyan analysts that Kenya's banks are likely to issue fewer loans this year and boost investments in government debt to safeguard earnings under threat from the fallout of the coronavirus. This assessment was made after the East African nation's lenders released first-quarter results that showed lower profit, a surge in loan-loss provisions and a wave of debt restructurings. An economic slowdown is reducing demand for credit, leaving banks with little choice but to buy high-yielding almost risk-free government bonds to compensate for the loss of income. **Read more:** Bloomberg.com

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	29/05/2020	465.36	465.36	14.06	14.02	(0.04)
182 day	29/05/2020	80.14	80.14	14.05	14.07	0.02
364 day	29/05/2020	30.27	30.27	16.70	16.88	(0.18)
3 year	29/05/2020	751.33	751.33	19.00	18.85	(0.15)

Source: Bank of Ghana

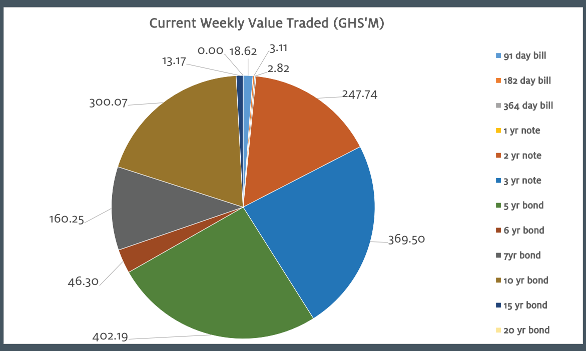
Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.64	13.61
182 day bill	93.52	14.09
364 day bill	87.93	15.86
2 year note*	100.71	18.28
3 year note*	100.04	18.95
5 year bond*	104.93	20.01
6 year bond*	102.53	20.10
7 year bond*	87.94	20.24
10 year bond *	93.52	21.44
15 year bond*	98.09	20.40
20 year bond *	98.11	20.39

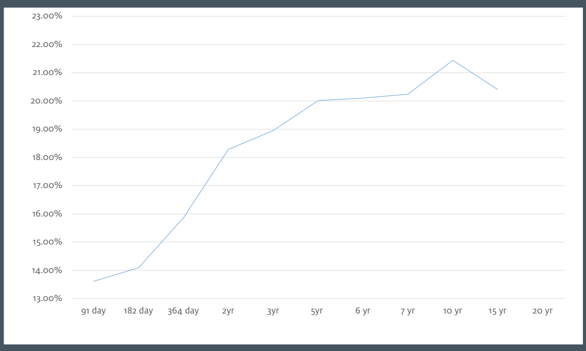
Source: Central Securities Depositary

***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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Research Contacts
Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts
Anthony Asare
Email:akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: daboateng@gcb.com.gh

GCB Securities Ltd.
Michelle N.O Dadey
Email: mnodadey@gcb.com.gh
Tel: 0559 733 990 0302 945848

Head Office:
No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910

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