

WEEKLY FIXED INCOME REPORT



Date Issued | 4th May, 2020

Primary Debt Market

- After all bids were accepted in this week's GoG treasury auction, a total of GHS 623.39 million was raised in 91 day and 182 day bills only. This came in GHS 20.39 million higher than the targeted amount of GHS 603.00 million but GHS 511.46 million lower than was raised in the previous week for the same securities. The 91 day bill raised GHS 484.01 million, whilst the 182 day bill raised GHS 139.38 million. A total of GHS 991.00 million is targeted for next week's auction, where the 91 day, 182 day and 364 day bills will be issued.

- Yields on the primary market declined. The 91-day bill declined by 10bps to 13.92% from 14.02%, week-on-week. The 182-day bill also closed the session 3 bps lower at 14.00% from 14.03% in the previous week. Yields have been seen declining since the start of April, gaining slightly last week.

- The Monetary Policy Committee (MPC) of the Bank of Ghana is expected to hold its 94th meeting on Monday 11th May 2020. Market players anticipate the policy rate direction of the Committee to determine the direction of rates on the market. The GoG is also expected to release the Initial Pricing Guidance for the 2 year 2022 bond on Tuesday 5th May, 2020.

Secondary Debt Market

- A total of GHS 1,512.52 million was raised on the secondary bourse last week. This came in GHS 998.74 million lower than the GHS 2,511.26 million that was turned over on the market in the previous week. The lackluster trading week was a deviation from the normal upbeat market activity that is usually witnessed at the end of the month, where asset managers are actively trading to balance their portfolios. At the belly of the curve, 2 year, 3 year and 5 year bonds saw turnover drop by GHS 52.16 million, GHS 594.24 million and GHS 394.17 million respectively. We suspect that market participants withdrew to see the direction of the IPG for the upcoming 2-year bond issuance this week.

- Yields on the secondary market were fairly stable last week. The market was generally net bid at the belly of the curve but remained net offered at the tail, with little participation from offshore investors. The mid-tenored February 2022, April 2023 and March 2025 maturities declined by 74bps, 38bps and 147bps correspondingly. The longer dated August 2039 however closed 11bps higher at 20.39%. The January 2025 also exchanged hands at 20.67%, after yields increased by 13bps whilst the July 2034 remained illiquid.

- We expect the secondary market to remain fairly dull in the coming week, as offshore investors stay on the lines. The issuance of the new 2-year bond may however increase turnover at the belly of the curve. Per the issuance calendar, the month of May should see the issuance of a 3 year and 7 year bond and this is expected to increase activity on the secondary market.

REVIEW: Other Treasury Markets

Nigeria: In the four-day trading sessions of last week, activity level in the Nigerian Treasury Bills secondary market remained mute as weak sentiments persisted across the yield curve. Although system liquidity improved (N638.0bn long as at Thursday) following inflows from a cash reserve refund on Monday and bond coupon payments on Tuesday, investors traded cautiously in anticipation of the Primary Market Auction that held on Wednesday. Notably, the short and mid segment of the yield curve closed flat week-on-week while the long end of the curve witnessed mild demand on the 29-Oct-20 (-5bps) and 12-Nov-20 (-3bps) bills. As a result, average yield across all tenors shed 1bp week-on-week to remain at 2.7%. **Read more at: <https://bit.ly/35wQ6gC>**

South Africa: Egypt ranked first in the Middle East and North Africa (MENA) region in the number of start-up investment deals, according to Mohamed Omran, Chairperson of the Financial Regulatory Authority (FRA). "The capital market in Egypt maintained its performance in relation to the value of securities issued in the primary market, amounting to more than EGP 162bn," Omran said. "Taking into consideration the issues of nominal value adjustment, capital reduction and bond issues, the value reached more than EGP 220bn compared to EGP 214.8bn last year." He added that the value of securitisation bond issuances reached over EGP 22bn in 2019. Omran said that this is an important indicator of its use by companies as a source of financing through the Egyptian capital market and Egyptian Exchange. It is also four-folds the value of the highest securitisation record in the history of Egypt's money market. **Read more at: <https://bit.ly/3dgpQFh>**

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	30/04/2020	484.01	484.01	14.02	13.92	(0.10)
182 day	30/04/2020	139.38	139.38	14.03	14.00	(0.03)

Source: Bank of Ghana

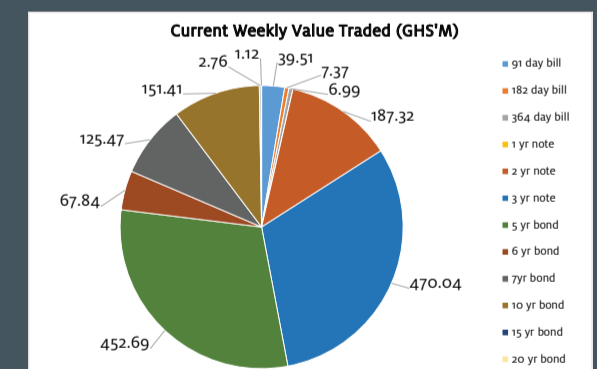
Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.62	13.62
182 day bill	93.51	14.01
364 day bill	85.81	15.90
2 year note*	102.45	18.46
3 year note*	102.14	18.03
5 year bond*	104.98	20.03
6 year bond*	100.84	20.67
7 year bond*	87.25	20.46
10 year bond *	95.84	20.82
15 year bond*	98.27	20.35
20 year bond *	98.11	20.39

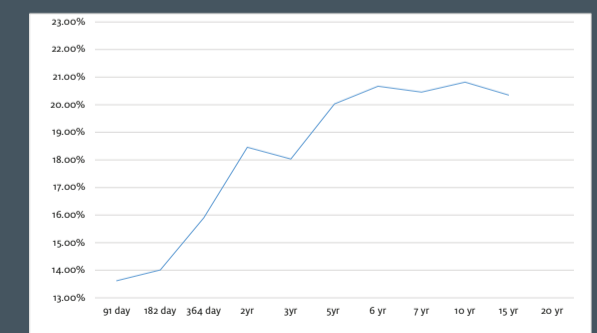
*Benchmark security.

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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