

WEEKLY FIXED INCOME REPORT



Date Issued | 11th May, 2020

Primary Debt Market

- The GoG raised a total of GHS 1,502.64 million in its recent treasury auction for securities issued Monday 11th May, 2020. Of the GHS 991.00 million targeted for 91 day, 182 day and 364 day bills, only GHS 833.88 million was raised. The remaining GHS 668.76 million was raised by the newly issued 2 year fixed note. Across securities issued, all bids tendered were accepted, except for the 364 day bill, which saw accepted bids (GHS 18.19 million) come in GHS 15.94 million less than was tendered (GHS 34.13 million). A total of GHS 758.00 million is targeted for next week's auction, which should see the issuance of 91 day, 182 day and 364 day treasury bills.

- For this auction, yields appeared stable. The 91 day bill gained a minimal 3 bps to 13.95% from 13.92% in the previous auction. Following the same trend, the 182 day bill also advanced a marginal 2 bps from 14.00% to 14.02%. The 364 day bill however closed flat at 16.75%. The freshly issued 2 year fixed note was issued at an interest rate of 18.75%, 145 bps lower than when it was last issued in February this year at a rate of 20.20%. Joint book runners during the course of the week announced the downward revision of the price guidance for the 2 year bond to 18.25% -18.75% from the initial pricing of 18.75%-19.00%.

-The direction of yields in the weeks ahead is expected to be somewhat clearer after the Monetary Policy Committee's (MPC) meeting which is scheduled for this week.

Secondary Debt Market

- The secondary market witnessed quiet sessions over the course of last week as the 2 year bond auction was underway. A total of GHS 1,512.52 million changed hands during the period under review, GHS 998.74 million lower than what was traded in the previous week. The few trades that occurred were for 6 year and 7 year bonds which saw turnover increase by GHS 37.15 million and GHS 89.83 million respectively, whilst all other traded bonds witnessed declines in turnover.

- Following recent trends, the market was net offered, albeit some minimal buying interest from local participants. Offshore players however stayed largely on the sidelines. The February 2022 and April 2023 gained 74 bps and 100 bps respectively. Furthermore, the March 2025 also strengthened by 304 bps to 23.07% whilst the July 2034 changed hands 27 bps higher at 20.62%. The longest dated August 2039 20 year bond remained illiquid during the week. Buying interest was however seen for the January 2025 and June 2029 which advanced by 29 bps and 17 bps and changed hands at 20.38% and 20.65% respectively.

- In the absence of any new market news, we expect the secondary market to remain dull this week as offshore investors remain influenced by COVID-19 uncertainties. Local players are also more likely to await the policy rate direction from the MPC this week.

REVIEW: Other Treasury Markets

Kenya: The Central Bank of Kenya (CBK) announced the issuance of a 5-year Ksh50 billion bond for budgetary support in May with the auction date set for Wednesday 6th of May. The market-determined bond will mature in May 2025 with CBK encouraging investors to use treasury mobile direct or internet banking to purchase the bond. The bond successfully raised Sh20.78 billion with the long-term debt facility attracting investor bids worth Sh34.53 billion, lower than the Sh50 billion on offer amid volatility in the global bond market as a result of the coronavirus pandemic. This means, the CBK- government's fiscal agent rejected bids worth Sh13.75 billion at the auction. The market-weighted average rate for the auction stood at 11.788 per cent against an underlying coupon rate of 11.667 per cent. "Investors are now attaching a higher risk premium on the country due to the anticipation of slower economic growth attributable to the locust invasion, coupled with the entry of the novel COVID-19 in Kenya's borders, further dampening the country's economic growth prospects," Cytonn Investments said in its weekly report. **Read more: <https://bit.ly/35RMFRK>**

South Africa: South Africa will increase the amount of debt on sale at its weekly auctions by nearly 2 billion rand (\$109 million) to cover a budget deficit set to increase sharply due to the coronavirus stimulus package announced by President Cyril Ramaphosa. In a market announcement published on Friday 8th May 2020, on the Johannesburg Stock Exchange, the National Treasury said it would increase the amount on offer at weekly government bond auctions by a combined 1.93 billion rand as part of plans it outlined in its February budget. The amount on offer at the fixed-rate government bond auction will rise by 1.57 billion rand to 6.1 billion rand as of May 19, while the weekly inflation-linked bond auction amount will increase by 360 million rand to 1.4 billion rand from May 15, the treasury said. The treasury had delayed the announcement of the increase due to "market uncertainty that emanated from the COVID-19", but said in the statement that the "market has stabilized somewhat" allowing it to push through the changes. Ramaphosa announced a 500 billion rand rescue package in late April to try to cushion the economic blow of the pandemic that has so far seen more than 10,000 infections in the country.

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	08/04/2020	699.05	699.05	13.92	13.95	0.03
182 day	08/04/2020	116.64	116.64	14.00	14.02	0.02
364 day	08/04/2020	34.13	18.19	16.75	16.75	0.00
2 year	08/04/2020	668.76	668.76	20.20	18.75	(1.45)

Source: Bank of Ghana

Secondary Market

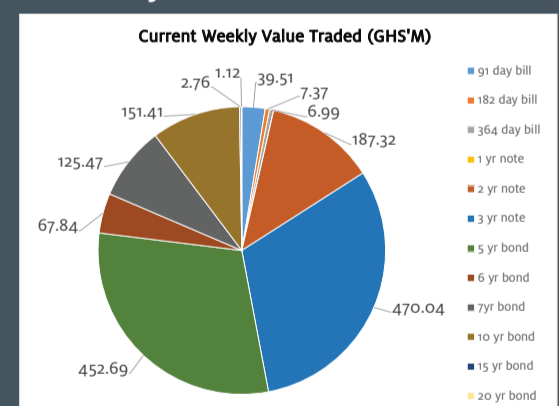
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.65	13.62
182 day bill	93.45	14.10
364 day bill	85.81	15.90
2 year note*	101.33	19.20
3 year note*	99.89	19.03
5 year bond*	96.00	23.07
6 year bond*	101.72	20.38
7 year bond*	87.36	20.42
10 year bond *	96.49	20.65
15 year bond*	97.09	20.62
20 year bond *	98.11	20.39

Source: Central Securities Depository

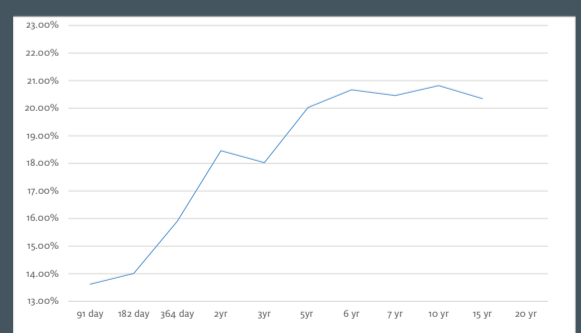
*Benchmark security.

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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