

WEEKLY FIXED INCOME REPORT



Date Issued | 15th June, 2020

Primary Debt Market

- A total of GHS 1,193.71 million was raised in 91 day, 182 day and 364 day bills for this week's GoG primary auction. This amount comes in GHS 11.71 million higher than the targeted amount of GHS 1,182.00 million after all bids tendered were accepted. Approximately 65% of bids accepted was accounted for by the 91 day bill. Furthermore, 25% of bids accepted were made up of 364 day bills, whilst the 182 day bill accounted for about 10% of bids raised. For the next auction a total of GHS 749.00 million is targeted via the issuance of 91 day and 182 day bills only.

- Yields on the primary market extended losses from the previous week. Down by 2 bps, the 91 day and 182 day bills stood at 13.93% and 14.04% from 13.95% and 14.06% respectively. Similarly, the 364 day bill witnessed a 3 bps dip in yields, from 16.88% to 16.85%.

- Market participants are expected to look out for clues of the 5 year bond auction scheduled for this month (per the June –August issuance calendar). Per the calendar, the GoG is expected to target GHS 800 million in a 5 year bond this month.

Secondary Debt Market

- The secondary bourse last week witnessed an increase of GHS 245.90 million in total turnover. Total weekly traded values stood at GHS 2,468.97 million, from GHS 2,223.07 million that was traded the week before. Trade volumes increased mainly for the longer dated securities. Trades for the actively trading 7 year, 10 year and 15 year bonds increased by GHS 272.41 million, GHS 217.76 million and GHS 372.93 million respectively, week-on-week.

- The general increase in turnover was also observed across benchmark securities. About GHS 148.50 million (vs. GHS 19.00 million traded a week before) of the July 2034 traded at a yield of 20.50%. Trades for the June 2029 maturity was also seen GHS 12.70 million higher at GHS 147.00 million. Reflecting the increased turnover, yields generally declined. The July 2025 and June 2029 dealt 70 bps and 63 bps lower at an average of 19.47% and 19.89% respectively. The May 2023 was also seen 18 bps lower at 18.51%, whilst the January 2025 closed 37 bps lower at 19.19%.

- The market was largely net-bid across the curve as local players largely dominated market activity. The impact of COVID-19 has generally restricted offshore interests in the bond market. Looking forward, we expect this narrative to persist for the rest of week, fuelled by demand from local asset managers. Furthermore, per the issuance calendar, government seeks to raise a total of GHS 17.8 billion on the primary market for the period June-August 2020. Consequently we expect this to deepen secondary market activity in the weeks ahead.

REVIEW: Other Treasury Markets

Nigeria: Nigeria's Debt Management Office (DMO) will this week sell N150 billion worth of Federal Government of Nigeria (FGN) bonds to investors. The bond offering comprises 12.75% FGN April 2023 (5-Yr Re-opening) worth N40 billion, 15-years 12.50% FGN April 2035 (15-Yr Re-opening) worth N50 billion and 12.98% FGN April 2050 (30-Yr Re-opening) worth N60 billion. The bond auction is expected to record oversubscription with lower marginal rates, with further decline in the marginal (stop) rates. Between March and May, DMO has cut marginal rates on FGN bonds by average of 63 bps. Owing to oversubscription, the DMO reduced the marginal rate on the 5-year bond by 80 (bps) to 9.2 percent in May from 10 percent in March. It also slashed the rates on the 15-year and 30-year bonds by 80 bps and 30 bps respectively to 11.7 percent and 12.6 percent in May from 12.5 and 12.9 percent in March.

Read more: <https://bit.ly/2UMtvbP>

Kenya: The Nairobi Securities Exchange (NSE) saw a 59% jump in bond turnover in May compared to that of April, as ample liquidity in the money market supported trading. NSE data shows turnover stood at Sh46.6 billion last month, compared to Sh29.3 billion in April. The ample liquidity also resulted in higher bid volumes on primary security auctions by Central Bank of Kenya (CBK), where the treasury bill subscription rate rose to 104% compared to 73% in April. In the first five months of the year, investors traded bonds worth Sh233.9 billion, which trails the Sh285.9 billion for similar period last year. **Read more:** <https://bit.ly/2MZQHj0>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	12/06/2020	784.24	784.24	13.95	13.93	(0.02)
182 day	12/06/2020	113.99	113.99	14.06	14.04	(0.02)
364 day	12/06/2020	295.48	295.48	16.88	16.85	(0.03)

Source: Bank of Ghana

Secondary Market

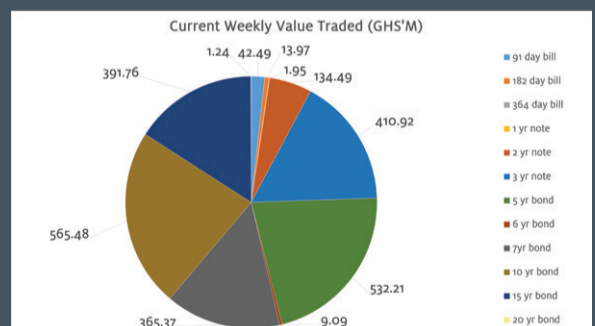
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.88	13.62
182 day bill	93.48	14.11
364 day bill	90.17	15.86
2 year note*	101.90	17.51
3 year note*	103.11	18.51
5 year bond*	104.09	20.30
6 year bond*	105.29	19.19
7 year bond*	90.12	19.47
10 year bond *	99.63	19.89
15 year bond*	97.66	20.50
20 year bond *	98.14	20.37

Source: Central Securities Depository

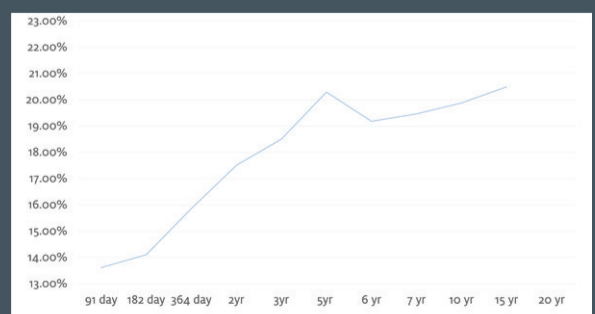
*Benchmark security.

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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