

WEEKLY FIXED INCOME REPORT



Date Issued | 17th February, 2020

Primary Debt Market

- The GoG this week auctioned a 2 year (rollover) bond in addition to the weekly issued 91 day and 182 day bills and the bi-weekly issued 364 day bill. A total of GHS 1,037 million was raised in the auction, meeting the targeted amount, after all bids tendered were accepted. The 91 day and the 182 day bill raised GHS 476.99 million and GHS 93.75 million respectively. The 364 day bill also raised GHS 10.69 million, whilst the 2 year bond raised the highest amount of GHS 484.73 million. The GoG aims to issue only the 91 day and 182 day bill in its next auction with a targeted amount of GHS 861.12 million.

- With the exception of the newly issued 2 year note, yields remained stable. The 91 day, 182 day and 364 day bills closed flat at 14.70%, 15.18% and 17.81% respectively. The 2 year note however closed 75 bps lower at 20.20%, compared to when it was last issued in December last year at 20.95%.

- The year-on-year inflation rate for January 2020 according to the Ghana Statistical Service, decreased to 7.8% from the rate of 7.9% in December, reflecting a minimal 1 bp drop. However, the monthly change between January 2020 and December 2019 was 1.4%, the highest since the rebasing in August 2019. Inflation is seen declining for the second straight month and the slowdown is likely to give enough room for the Bank of Ghana to consider loosening policy at its next meeting in March. Nonetheless, we expect rates to remain fairly stable in the week ahead.

Secondary Debt Market

- Last week, the secondary market witnessed a dip in trading activity as market participants turned their attention to the 2 year bond issuance. Total value traded on the secondary bourse declined by GHS 854.20 million from GHS 2090.31 million to GHS 1236.11 million. Much of this decline was underpinned by some significant drops in value traded across the 2 year, 3 year, 7 year, and 15 year bonds. The 2 year and 3 year bonds saw trades dip by GHS 204.75 million and GHS 583.47 million respectively. The 7 year and 15 year bonds also declined by GHS 85.30 million and GHS 9.82 million each.

- Yields showed mixed results. At the front end, the November 2021 closed 16 bps higher at 20.46%, whilst the January 2023 settled 8 bps lower at 20.31%. At the mid end of the curve, the July 2024 and January 2025 traded at an average of 19.38% and 20.29% respectively, reflecting a 52 bps and drop and an 8 bps increase. The longer dated July 2034 changed hands at 20.19%, after declining by 5 bps, whilst the August 2039 closed the trading week with yields 4 bps higher at 20.30%.

- In the news, some strategists from Societe Generale have noted the country as being one of the best-performing major markets in Africa in the past two months, attributable to greater fiscal discipline, commitment to reforms, and improved currency management. Investors demonstrated this vote of confidence when they placed orders for almost five times the amount on offer at Ghana's Eurobond sale two weeks ago, pushing the yield down well below the initial price target. Looking ahead, we also expect rates to stabilize in the coming weeks with improved inflationary expectations, barring any unanticipated shocks.

REVIEW: Other Treasury Markets

Nigeria: Nigeria plans to return to the international debt markets with a \$3.3 billion Eurobond sale after staying out last year, joining African peers in taking advantage of investors' appetite for high-yielding debt. President Buhari is seeking approval to sell the Eurobonds this year. Out of the targeted amount, \$2.8 billion is earmarked as external financing for the 2020 budget while \$500 million is for debt refinancing. New external issuances could help Nigeria's central bank rebuild international reserves that have fallen to the lowest level in two years as authorities defended the naira, which has come under pressure. Yields on Nigeria's \$1.5 billion of Eurobonds due in 2047 have witnessed a downward spiral. Read more: <https://bloom.bg/39z2Zrs>

Kenya: Standard Chartered Bank Kenya has become the first commercial bank in Kenya to launch bonds traded exclusively through mobile phone. Through the SC Mobile App clients will be able to buy or sell local currency government bonds and treasury bills without the hustle of visiting a branch to fill in forms. The Bank becomes the second entity to launch mobile traded bonds and bills after the Kenyan Government launched the world's first Treasury bond in 2015 offered exclusively via mobile phone and in a bid to stimulate public participation in the capital markets, raise money cheaply and boost the national savings rate. In January this year, the Kenya government through the Central Bank of Kenya (CBK) rolled out another mobile-based service dubbed CBK-TMD, which enables users to place applications/bids for Treasury Bills and Treasury Bonds, receive auction results, receive notifications for payments made, query their CDS accounts, and query Treasury Bills and Bonds on offer. The minimum investment amount for the SC Mobile traded bond has a face value of KSh100, 000 while the maximum one can trade on the app is capped at Sh10 million. Read more: <https://bit.ly/2Ht-wbUI>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	14/02/2020	476.99	476.99	14.70	14.70	0.00
182 day	14/02/2020	93.75	93.75	15.18	15.18	0.00
364 day	14/02/2020	17.93	17.93	17.81	17.81	0.00
2 year	14/02/2020	484.73	484.73	20.95	20.20	(0.75)

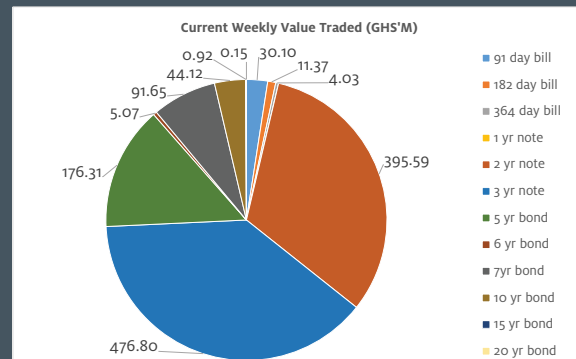
Source: Bank of Ghana

Secondary Market

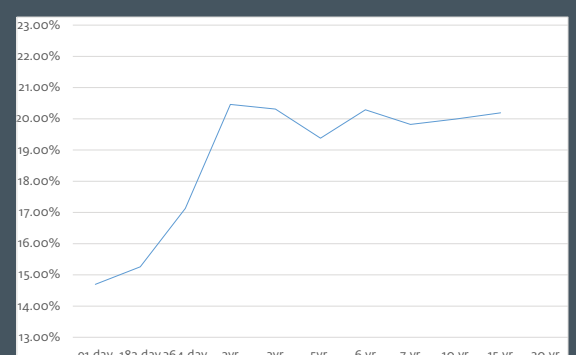
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.75	14.70
182 day bill	93.10	15.26
364 day bill	85.97	17.13
2 year note*	100.59	20.46
3 year note*	105.69	20.31
5 year bond*	100.29	19.38
6 year bond*	102.13	20.29
7 year bond*	88.70	19.82
10 year bond *	99.10	19.99
15 year bond*	99.03	20.19
20 year bond *	98.54	20.30

***Benchmark security.**
 364 day -- November'20
 2yr -- November'21
 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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