

WEEKLY FIXED INCOME REPORT



Date Issued | 18th May, 2020

Primary Debt Market

- A total of GHS 652.94 million was raised in the recent GoG treasury bill auction after all bids for the 91 day, 182 day and 364 day bills were accepted. The total amount raised came in GHS 105.06 million lower than the targeted amount of GHS 758.00 million. The 91 day bill raised GHS 531.39 million, accounting for about 81% of the total amount raised. The 182 day and 364 day bills also raised GHS 85.25 million and GHS 36.30 million respectively, representing approximately 13% and 6% of the total amount raised. In the next auction, the GoG aims to issue only the 91 day and 182 day bills with a targeted amount of GHS 909.00 million.

- For this auction, yields of all bills declined. The 91 day bill dipped by 8 bps to 13.87% from 13.95%. The 182 day and 364 day bills followed suit closing 2 bps and 5 bps lower at 14.00% and 16.70% accordingly.

- Ghana's annual inflation rate surged to the highest level in more than two years in April as food-price growth surged during a lockdown of the country's biggest cities. Inflation is now above the central bank's target band of 6% to 10% for the first time since March 2018. The surge in inflation to 10.6% for April, could limit the central bank's ability to ease further to prop the economy, that's forecast to grow at the slowest pace in 37 years owing to the impact of the pandemic.

Secondary Debt Market

- Trading activity on the secondary market last week increased as more bids from fund managers started to emerge and activity was seen from both local and offshore players. Total value traded on the secondary bourse inched up by GHS 1,231.95 million from GHS 1,512.52 million to GHS 2,744.42 million. Much of this increase was underpinned by some significant rise in value traded across the 2 year, 3 year, 6 year, and 15 year bonds. The 2 year and 3 year bonds saw trades increase by GHS 71.32 million and GHS 363.70 million respectively. The 6 year and 15 year bonds also inched up by GHS 599.91 million and GHS 108.85 million each.

- Yields on the secondary market were largely seen declining. At the front to mid end, the May 2022 and April 2023 traded at an average of 18.56% and 17.82% respectively, reflecting a drop of 64 bps and 121 bps. The April 2025 and June 2029 also declined by 5 bps and 4 bps respectively whilst the January 2025 strengthened by 43 bps. The longer dated July 2034 was illiquid last week while the longest dated August 2039 20 year bond remained illiquid for a second consecutive week.

- Ghana's central bank purchased 5.5 billion cedis (\$942 million) in bonds to help finance the nation's budget as weak oil prices and the impact of the coronavirus pandemic are eroding government revenue. The 10-year securities have been issued at the monetary policy rate and carry a moratorium of two years on principal and interest payments. The central bank forecasts economic growth between 2% to 2.5% in 2020, compared to the government's initial projection of 6.8%. Ghana held its key rate at 14.5% Friday (15/05/2020) after being one of the first sub-Saharan African countries to loosen its monetary policy in response to the coronavirus pandemic.

REVIEW: Other Treasury Markets

Nigeria: The Debt Management Office (DMO) of Nigeria has revised its issuance calendar for Q2 2020 after the National Assembly approved the reallocation of deficit financing of N850 billion for the year 2020 from the external to the domestic market. Its funding target for the year is now N1.60 trillion from the domestic market rather than the previous N750 billion. The DMO did not change the menu for this week's auction but in June it now seeks to raise between N135 - N165 billion, compared with the earlier N15 - N45 billion with the same 5 year, 15 year and 30 year benchmarks on sale. The DMO does have other debt products to offer investors but the FGN bond market will provide the lion's share of the N1.60 trillion target. In four months the DMO has raised about N820 billion from the monthly auctions including non-competitive sales and has paid out about N600 billion on the maturity of a bond in February. The DMO no longer has an external funding target for this year. However, the FGN has sought concessional external funding of about N2.54 trillion equivalent, of which it has already banked N1.22 trillion from the IMF. **Read more: [Proshareng](#)**

Kenya: Kenya has abandoned plans to sell commercial debt such as Eurobonds for the next fiscal year as African countries hold talks with private and institutional creditors about debt-repayment breaks during the coronavirus crisis. The budget gap of East Africa's biggest economy is seen rising to 823.2 billion shillings (\$7.7 billion) in 2020-21, and will be partly financed via net foreign borrowing of 349.7 billion shillings, according to budget documents. Kenya is studying the implications of a debt-relief plan led by the G-20 group of nations, Treasury Secretary Ukur Yatani said in an interview. "Some conditions may be unfavorable, particularly for those countries already servicing commercial papers like Eurobond," he said. Countries benefiting from the G-20 initiative will be required to pledge not to contract new non-concessional debt, disclose all public-sector financial commitments and use the savings to address virus shocks. **Read more: [Bloomberg](#)**

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	15/04/2020	531.39	531.39	13.95	13.87	(0.08)
182 day	15/04/2020	85.25	85.25	14.02	14.00	(0.02)
364 day	15/04/2020	36.30	36.30	16.75	16.70	(0.05)

Source: Bank of Ghana

Secondary Market

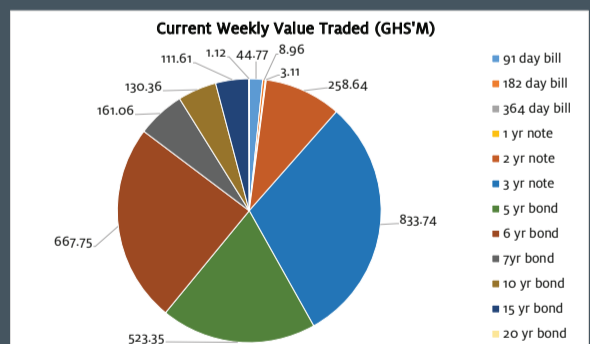
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.69	13.62
182 day bill	93.60	14.10
364 day bill	85.89	15.90
2 year note*	100.29	18.56
3 year note*	102.55	17.82
5 year bond*	96.00	23.07
6 year bond*	100.45	20.81
7 year bond*	87.53	20.37
10 year bond *	96.69	20.61
15 year bond*	97.09	20.62
20 year bond *	98.11	20.39

Source: Central Securities Depository

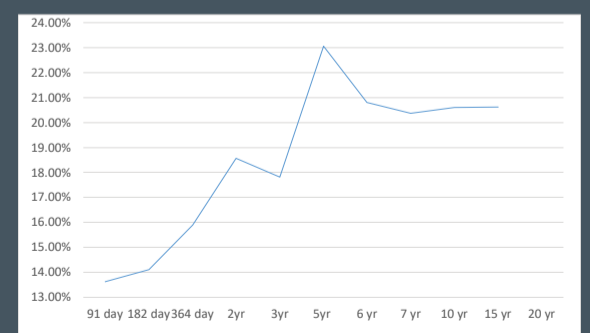
*Benchmark security.

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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