

WEEKLY FIXED INCOME REPORT



Date Issued | 20th April, 2020

Primary Debt Market

- A total of GHS 1,358.83 million was raised in last week's GoG treasury auction. This however represents 84.5% of total submitted bids. For the 91 day bill, GHS 492.38 million bids were accepted out of GHS 687.98 million bids tendered. The 182 day bill also saw the acceptance of only GHS 17.16 million bids out of the tendered amount of GHS 69.29 million. The auction also saw the issuance of a 3 year GoG bond. Per the issuance calendar, the GoG was expected to raise about GHS 800 million, however the auction saw the tendering and acceptance of GHS 849.29 million. A total of GHS 1,208.00 million is expected to be raised in 91, 182 and 364 day bills in this week's auction.

- Yields on the primary market continue to drift downwards, sustained by continuous liquidity on the market. The 91 day bill saw yields drop by 3 bps from 13.88% to 13.85%. The 182 day bill also witnessed a 13 bps decline in yields at 13.99% from 14.12% a week ago. The newly issued 3 year bond was issued at a yield of 19.00%. This reflects a 175 bps decline compared to when it was last issued on the market earlier on in March 2020.

- In the news, Ghana's inflation rate was seen unchanged at 7.8% for the third straight month in March. This has potential to give the Bank of Ghana more room for the possible easing in policy to boost the economy in the midst of the COVID-19 pandemic. Consequently, we foresee the persistent decline in yields on the primary market at least for the coming month.

Secondary Debt Market

- Secondary market activity last week was rather buoyant. Total market turnover stood at GHS 2,278.31 million, up by GHS 780.12million, from GHS 1,498.19 million in the preceding week. Much of this increase came on the back of increases in value traded for 3 year and 6 year bonds. Trades for 3 year bonds increased by about GHS 332.26 million, whilst 6 year bonds saw a surge of GHS 572.62 million in value traded, week-on-week. 10 year and 15 year bonds also saw market turnover increase by GHS 24.30 million and GHS 2.69 million respectively.

- For benchmark securities, yields remained fairly stable. The February 2022 maturity changed hands at 19.88%, 99 bps lower than it traded a week ago. The April 2025 also traded 62 bps lower at 20.99%. On the other hand, the January 2023, March 2025 and January 2025 all traded 93bps, 16bps and 59bps lower at 21.62%, 21.57% and 21.90% respectively. The longer term June 2029 and July 2034 maturities however remained unchanged at 20.35% and 20.31% respectively.

- On the whole, the market remained somewhat balanced between demand and supply albeit dominated by local participants. We expect buying interest in the week ahead to persist, supported mainly by possible debt relief/suspension packages for developing nations affected by the coronavirus. The Executive board of the IMF approved the disbursement of about \$1 billion to Ghana to help address "urgent fiscal and balance of payment needs" that the country is facing. The funds are to be drawn under a Rapid Credit Facility.

REVIEW: Other Treasury Markets

Nigeria: Investors in the Fixed Income and Currency (FIC) markets defied the Covid-19 pandemic in March as they raised their stakes by N2.19trillion (9.33%) to N25.66trillion. Investment in foreign exchange (FX) and OMO bills accounted for about 75% of total turnover recorded in the markets in the review period with FX accounting for almost 50% of gross turnover. As at March 31, 2020, total Treasury bills outstanding remained flat at N2.65trillion; OMO bills outstanding decreased to N10.44 trillion from N11.00 trillion as at February 28, 2020, whilst FGN Bonds outstanding increased marginally by 0.85% (No.08trn) to N9.47trillion. Liquidity in the treasury bills market however declined further in March 2020 as trading intensity fell to 0.08 from 0.13 in February 2020 as investors continue to hold their treasury bills investment to maturity and discount rates on new issuances fell further by a range of 41bps - 117bps in March 2020. **Read more:** <https://bit.ly/3cyAJH>

Egypt: EFG Hermes, an Egyptian investment bank, announced Tuesday the closure of Premium International for Credit Services' second securitization bond issuance worth LE 172 million (\$11 million).EFG Hermes clarified that this comes as part of Premium International two-year program to issue LE 2 billion (\$162 million), in securitization bonds. In November, Premium International for Credit Services announced the closing of Egypt's first short-term securitization transaction, worth LE 167 million and backed by a portfolio of consumer card receivables in the total value of LE 184 million. Premium International assigned the securitization issuance to EFG Hermes to issue a bond portfolio with a total value of LE 201 million, with a guarantee of the credit facilities portfolio granted to Premium customers. According to the company, the second securitization bond issuance will take place on a single tranche of LE 172 million with a maturity period of 10 months.

Read more: <https://bit.ly/2Vl5t8z>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	17/04/2020	687.98	492.38	13.88	13.85	(0.03)
182 day	17/04/2020	69.29	17.16	14.12	13.99	(0.13)
3 year	17/04/2020	849.29	849.29	20.75	19.00	(1.75)

Source: Bank of Ghana

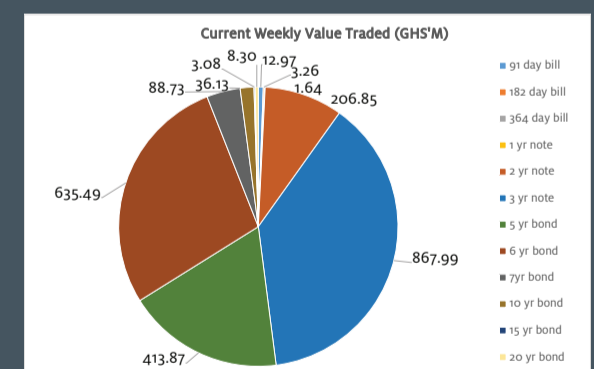
Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.72	13.61
182 day bill	93.56	14.09
364 day bill	87.93	15.89
2 year note*	100.37	19.88
3 year note*	98.18	21.62
5 year bond*	100.32	21.57
6 year bond*	97.29	21.90
7 year bond*	85.77	20.99
10 year bond *	95.39	20.92
15 year bond*	98.27	20.35
20 year bond *	98.41	20.31

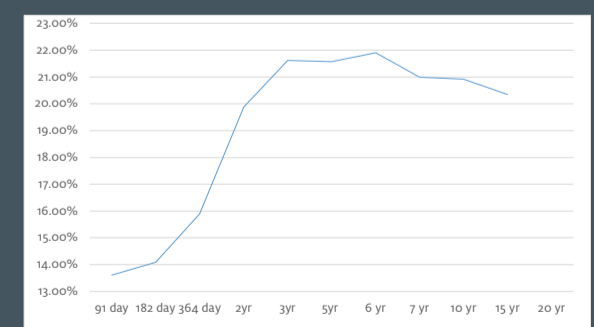
*Benchmark security.

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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Scrolling? Pause and sanitize.

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