WEEKLY FIXED INCOME REPORT

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Date Issued | 24th February, 2020

Primary Debt Market

- Last week's GoG Treasury bill auction saw issuances for the 91 day and 182 day treasury bills with all bids tendered accepted. A total of GHS 743.63 million was raised in the auction, GHS 53.37 short of the targeted amount for the auction. The 91 day and the 182 day bill raised GHS 675.53 million and GHS 68.10 million respectively. The GoG aims to issue the 91 day, 182 day and 364 day bills in its next auction with a targeted amount of GHS 800 million.

- Yields remained fairly stable for the 91 day and 182 day bills. Down by a marginal 1bp, the 182 day bill closed the auction at 15.17% from 15.18% in the previous auction. The 91 day bill, however, saw a minimal increase of 5bps from 14.70% in the previous auction to 14.75% in last week's auction.

- 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 to rates to remain fairly stable in the week's ahead.

Secondary Debt Market

-Trading activity on the secondary market declined last week. Total value traded on the secondary bourse declined by GHS 271.64 million from GHS 1,236.11 million to GHS 964.47 million. Much of this decline was accounted for at the short to medium end of the curve. The 182 day and 2 year note declined by GHS 6.37 million and GHS 9.15 million respectively. The 3 year and 5 year bonds also declined by GHS 187.62 million and GHS 55.46 million. Meanwhile on the longer end of the curve last week, the 7 year bond declined by GHS 26.92 million whilst the 10 year and 20 year bonds were illiquid.

-Yields showed mixed results. At the mid end of the curve, the January 2023, July 2024 and January 2025 closed the trading week with yields declining by 2 bps, 33 bps and 29 bps respectively whilst the February 2022 inched up by 44 bps at 20.90% last week. The longer dated April 2025 and July 2034 closed the trading week with yields 16 bps and 2 bps higher at 19.98% and 20.21% respectively.

-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 that 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 week.

REVIEW: Other Treasury Markets

Nigeria: Performance in the Nigerian Treasury Bills (NT-Bills) secondary market last week turned bearish as some local investors sold off their NT-Bills ahead of the FGN bond auction last Wednesday, while other locals stood on the sidelines, indifferent amid unattractive secondary market offerings. Average yield on all instruments trended 7bps upwards week-on-week to close at 3.9% while the long-term and short-term bills suffered selloffs advancing 1.0% and 3.0% respectively. The medium-term NT-Bills, on the other hand, dipped 14bps as slight buying interest persisted. The Central Bank is scheduled to rollover maturing NT-Bills worth N11.1 billion in a Primary Market Auction (PMA) this Wednesday, which is suspected to be significantly over subscribed due to buoyant liquidity on the Open Market Operation (OMO) and NT-Bills maturities worth N1.1 trillion and unattractive secondary market alternatives. **Read more: www.proshareng.com**

Kenya: Data from Dyer and Blair, an IB House, suggests that yields on short-term bonds in Kenya could increase and surpass those on long-term bonds as the repeal of the interest rate cap takes effect. The Investment firm explains that, the repeal of the rate cap is expected to add pressure on the government, with banks now finding the private sector more attractive to lend than the fixed income markets. Research data shows that since 2013, spreads on short-dated securities have narrowed. The fiscal deficit for 2020-2021 financial year is projected to reduce to Sh569.4 billion from Sh715.2 billion in 2018-19. According to the IMF, Kenya has other unreported liabilities such as pensions obligations estimated at about 30% of GDP, Public Private Partnership liabilities of about 3.5% of GDP and future pension obligations to the social security sub-sector equivalent to about 3.3% of GDP. **Read more: www.standardmedia.co.ke**

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	21/02/2020	675.53	675.53	14.70	14.75	0.05
182 day	21/02/2020	68.10	68.10	15.18	15.17	(0.01)

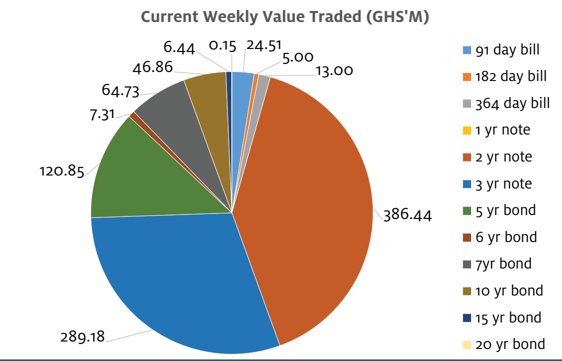
Source: Bank of Ghana

Secondary Market

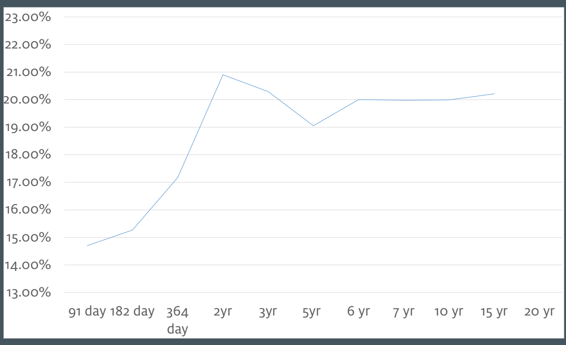
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.59	14.70
182 day bill	93.35	15.27
364 day bill	85.25	17.17
2 year note*	100.07	20.90
3 year note*	131.72	20.29
5 year bond*	101.22	19.05
6 year bond*	103.86	20.00
7 year bond*	88.30	19.98
10 year bond *	99.10	19.99
15 year bond*	98.93	20.21
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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