

WEEKLY FIXED INCOME REPORT



Date Issued | 25th May, 2020

Primary Debt Market

- The GoG's treasury auction for this week, saw a total of GHS 1,071.22 million bids tendered and accepted for 91 day and 182 day bills only. This came in GHS 162.22 million higher than the targeted amount of GHS 909.00 million. The 91 day bill raised GHS 854.19 million and accounted for about 80% of bids raised. The remaining 20% of bids was accounted for by the 182 day bill which raised a total of GHS 217.03 million. The GoG seeks to raise a total of GHS 1,123 million in 91 day, 182 day and 364 day bills in its next auction.

- The 91 day and 182 day bills witnessed an uptick in yields, reversing declines from the previous week. Up by 19 bps was the 91 day bill, with yields at 14.06% from 13.87% in the previous auction. With a yield of 14.05%, the 182 day bill also saw a 5 bps increase in yields from 14.00%, week-on-week.

- The joint book runners on Wednesday 20th May, 2020 announced a 3 year Cedi-denominated bond issuance. The Initial Pricing Guidance (IPG) is expected on Tuesday 26th May, 2020 with book build scheduled for 27-28 May, 2020. Whilst the amount size is yet to be determined, we expect a more active trading session in next week's primary auction.

Secondary Debt Market

- It was an active session on the secondary market last week, with about GHS 2,744.47 million changing hands, up by GHS 1,231.95 million from the GHS 1,512.52 million traded in the preceding week. With the exception of 10 year and 20 year bonds, value traded increased across tenors. Notable were the 3 year, 6 year and 15 year bonds which saw turnover increase by GHS 363.70 million, GHS 599.91 million and GHS 108.85 million respectively.

- As market turnover increased, yields on benchmark securities also declined. Of particular interest was the March 2025 paper which saw about GHS 5.20 million change hands at a rate of 20.02%, 305 bps lower than the previous week. The January 2025 also dealt 34 bps lower at 20.47%. Approximately GHS 4.20 million of the May 2022 bond and GHS 18.37 million of the April 2025 changed hands 5 bps and 24 bps lower at 18.51% and 20.13% respectively, whilst the longer dated July 2034 and August 2039 remained illiquid.

- The trading session was largely dominated by local players with buying interest coming mainly from asset managers. Intermittent offshore participation was also observed. This trend is expected to persist for the remaining week. The issuance of a 3 year bond on the primary market in the upcoming week is however expected to cause a slight dip in turnover across the shorter term maturities as market participants anticipate the new bond issuance.

REVIEW: Other Treasury Markets

Nigeria: Early last week, the Open Market Operations (OMO) market in Nigeria witnessed buying activity as offshore players looked to deploy idle cash as well as banks taking advantage of the liquid market. Later in the week however, the trend reversed as investors began to take advantage of lower yields on the market and the Central Bank of Nigeria's FX auction. In the FX market, the CBN re-opened its whole bill auction by pumping in as much as \$72 million into the market, to maintain liquidity. The bond market however witnessed mixed signals. Whilst a number of market players took profit in their auction, others sold off in anticipation of a possible increase in supply. This week, the Nigerian fixed income market is expected to witness moderate activity as well as moderate liquidity. The market is likely to witness an OMO maturity during the week which should help maintain balance even as liquidity in the system will be moderate. **Read more:** <https://bit.ly/3eqR6X7>

Kenya: Egypt returned to international bond markets for the first time since November, selling bonds maturing in 4, 12 and 30 years with initial price talks ranging from 6.25% to 9.375%. With a credit score that is at least 4 steps below investment grade at all three major credit rating firms, Egypt is one of the riskiest nations coming to the market since the coronavirus pandemic dried up funding sources in March. The country is looking to replicate a sale of 40-year notes in November after securing a fresh batch of cash from the International Monetary Fund. Egypt is turning to foreign investors to plug a financing gap of about \$10 billion in 2020, according to estimates by EFG Hermes and Goldman Sachs Group Inc. Some of its main foreign-currency sources, including tourism, remittances and Suez Canal receipts, have plummeted due to the virus outbreak. **Read more:** <https://bit.ly/3emrYkc>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	22/05/2020	854.19	854.19	13.87	14.06	0.19
182 day	22/05/2020	217.03	217.03	14.00	14.05	0.05

Source: Bank of Ghana

Secondary Market

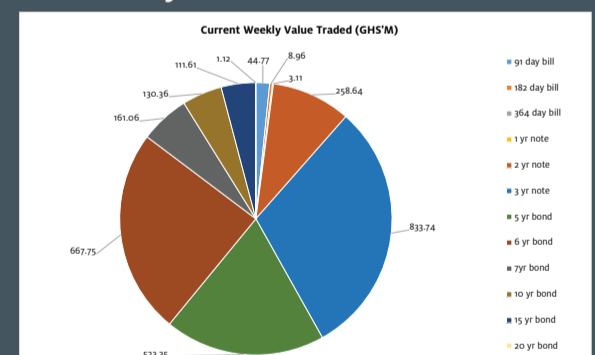
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.67	13.62
182 day bill	93.48	14.10
364 day bill	85.87	15.9
2 year note*	100.36	18.51
3 year note*	100.92	18.56
5 year bond*	104.93	20.02
6 year bond*	101.42	20.47
7 year bond*	88.22	20.13
10 year bond *	91.12	22.10
15 year bond*	97.09	20.62
20 year bond *	98.11	20.39

Source: Central Securities Depository

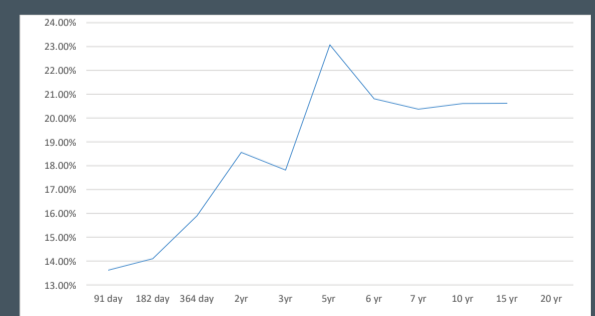
*Benchmark security.

- 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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