

# WEEKLY FIXED INCOME REPORT



Date Issued | 30th March, 2020

## Primary Debt Market

- The 91 day, 182 day and 364 day bills were issued in last week's GoG treasury bill auction. A total amount of GHS 906.50 million was raised in the said securities, with the government exceeding its weekly target of GHS 715.00 million. All bids tendered were however not accepted: 85% (GHS 498.32 million) of bids tendered for the 91 day bill were accepted, whilst only about 62% (GHS 64.38 million) of bids tendered for the 182 day bill were accepted. The 364 day bill also saw 82% (GHS 180.68 million) of its tendered amount being accepted in the auction. The GoG is aiming to raise a much lesser amount of GHS 452.00 million in its next auction for 91 day and 182 day bills only.

- Excess liquidity in last week's auction is reflected in the general decline in yields. The 91 day bill closed the trading session 11 bps lower at 14.64% compared to 14.75% from the previous trading session. The 182 day bill also witnessed a 3 bps drop in yields from 15.18% to 15.15%, week-on-week. Yields on the 364 day bill also dropped by some 15 bps to 17.65% from 17.80% a fortnight ago when it was last traded.

- In the news last week, E.S.L.A. Plc successfully re-opened its 12 year bond maturing December 29, 2031. A total of GHS 1.20 billion was raised within the pricing range of 20.50% to 21.00%. This brings the total issuance under the GHS 10 Billion bond programme to GHS 8.294 billion. The outstanding amounts on E.S.L.A. Plc bonds is GHS7.629 billion being GHS2.260 billion, GHS 2.740 billion, GHS 1 billion and GHS 1.629 billion for the 2024, 2027, 2029 and 2031 bond maturities respectively.

## Secondary Debt Market

- Secondary market activity last week was fairly buoyant. A total of GHS2343.6 million was raised, GHS 1466.1 million higher than was traded on the bourse the week before. Much of this increase in market activity was observed mainly at the short end and belly of the yield curve. Local participants were seen bidding at the shorter end

- With the exception of the longest dated August 2039 bond which inched up by a marginal 9 bps, yields across benchmark securities were seen on a downward spiral. Small demand for the short end was seen from onshore investors. Offshore participants were however mainly on the offer side. The February 2022 and the January 2025 maturities traded 27 bps and 21 bps lower at 18.67% and 22.00% respectively. The freshly minted 5 year March 2025 bond which was issued in the preceding week was also 1 bp lower at 21.69% compared to its primary market rate of 21.70%. The 10 year June 2029 maturity was seen illiquid whilst the July 2034 lost 42 bps at 20.31%.

- We expect the trend of lower offshore participation to continue into quarter two as the COVID-19 pandemic continues to affect growth prospects and investor sentiment. To factor in the virus' impact, Ghana has cut its GDP growth forecast to as low as 1.5% (compared to initial forecast of 6.8%), the lowest in 37 years. This is due to the collapse in oil prices as the covid-19 virus affects all economies. Onshore participation is however expected to remain buoyant as portfolio managers finalize the rebalancing of their portfolios to close the month of March. Also we anticipate the implementation of measures by the Finance ministry to cut short-term treasury bill rates due to the impact of COVID-19, to keep the short end net bid.

## REVIEW: Other Treasury Markets

**Nigeria:** Yields on Nigeria's Eurobonds spiked to as high as 12% last week as investors fled emerging market securities in the wake of the Covid-19 pandemic and the crash in oil prices. The 2049 Eurobond traded at a yield of 12.81% as prices fell to \$72.94. The shorter ended 2021 maturity also saw prices fall to \$97.29 with a yield of 10.09%. The country faces multiple risks posing underlying threats to its bond market as a whole. As oil prices continue to fall, foreign portfolio investors appear worried about the government's ability to meet credit obligations without seeking refinancing of its international bonds. Nigeria currently has over \$29 billion in external loans with the Eurobond component stated at \$10.8 billion as of September 2019. The country's revenue situation could affect its ability to repay its bond obligation forcing a sell-off and increase in bond yields.

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

**South Africa:** South Africa's central bank began to buy government bonds on Wednesday in a bid to unblock strained local money markets as Africa's most industrial economy braces for a three-week national lockdown to stem the spread of coronavirus. The South African Reserve Bank (SARB) currently aims to provide liquidity and promote the smooth functioning of the financial sector even in the midst of the current pandemic. SARB would be the third big emerging market central bank this week to launch market-calming measures in a bid to tackle the disruption caused by coronavirus. South African bonds rallied after the central bank's announcement. The yield on benchmark 10-year government debt rose from 9 per cent at the start of this month to 12.35 per cent this week, reflecting a drop in prices, but fell below 12 per cent on the news. Read more: <https://on.ft.com/2WYK3zg>

## Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	27/03/2020	581.98	498.32	14.75	14.64	(0.11)
182 day	27/03/2020	104.29	64.38	15.18	15.15	(0.03)
364 day	27/03/2020	220.23	180.68	17.80	17.65	(0.15)

Source: Bank of Ghana

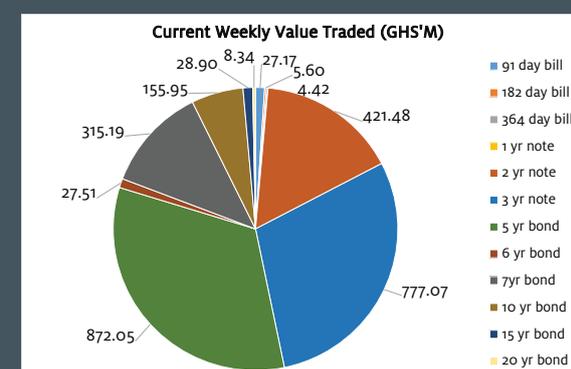
## Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.44	14.70
182 day bill	92.87	15.27
364 day bill	84.95	17.13
2 year note*	102.25	18.67
3 year note*	129.55	21.5
5 year bond*	100.00	21.69
6 year bond*	96.99	22.00
7 year bond*	86.46	20.72
10 year bond *	99.27	19.84
15 year bond*	98.46	20.31
20 year bond *	98.64	20.26

\*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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