WEEKLY FIXED INCOME REPORT	1st March, 2021

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Primary Debt Market:

- In last week's treasury auction, a total of GHS 1,373.54 million bids were accepted for 91 day, 182 day and 34 day bills. Total bids tendered stood at GHS 1,528.22 million, of which all bids tendered for the 182 day (GHS 124.38 million) and 364 day (GHS 235.26 million) bills were accepted, whilst bids accepted for the 91 day bill (GHS 1,013.9 million) fell short of bids tendered by some GHS154.68 million. In addition, the total bids accepted in the session exceeded the targeted amount of GHS 889.00 million by GHS 484.54 million. In the next auction, the GoG seeks to raise a total of GHS 1,252.00 million in 91 day, 182 day and 364 day bills.

- There were mixed results for yields in this auction. The 91 day bill witnessed a slight uptick from 13.11% to 13.27%, representing a 16 bps increase. The 182 day and 364 day bills however lost 6 bps each to stand at 13.89% and 16.80% respectively. Additionally, year-to-date, the above mentioned securities have all witnessed declines in yields. The 91 day bill has declined cumulatively by 5.82%, the 182 day bill by 1.62% and the 364 day bill by 1.19%.

- The market appears to be fairly liquid, evidenced by the attractiveness of GoG treasury bills which remain oversubscribed for the 6th consecutive week. We anticipate that yields will continue to decline in the coming week, underpinned by market liquidity and also by the recent dip in inflation.

Secondary Debt Market:

- The secondary market saw an increase in trades during the week under review. Total market turnover increased by GHS 1,374.99 million from GHS 2,283.75 million to GHS 3,658.74 million week-on-week. Much of this increase in market value was characterized by increased trades for the 2 year note following the fresh issuance on Monday. The 2 year note saw turnover stand at GHS 1,492.91 million increasing by about eight fold from GHS 188.13 million the week before.

-As portfolio managers sought to rebalance their portfolios towards month end, the secondary bourse was mostly bid, albeit with some sufficient offers also available in the market. Bulk of the activity was seen around the on-the run February 2023 maturity which stood at 17.55%. Around the belly to tail of the curve, the September 2025, June 2027 and July 2034 also got considerable attention.

- This week, we expect a more subdued session particularly at the start of the week as market players turn their focus to the recently announced 5 year bond auction. The IPG for the 5 year bond auction is expected to be announced on Tuesday 2rd March with book build scheduled to start on Wednesday 3rd March and end on Thursday 4th Mach

Primary Market

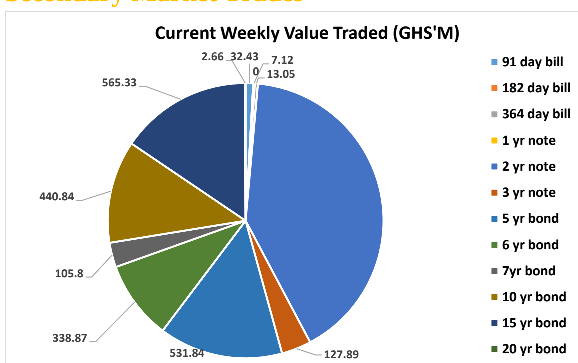
Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	26/02/21	1,168.58	1,013.90	13.11	13.27	0.16
182 day	26/02/21	124.38	124.38	13.95	13.89	(0.06)
364	26/02/21	235.26	235.26	16.86	16.80	(0.06)
Source: Bank of Ghana						

Secondary Market

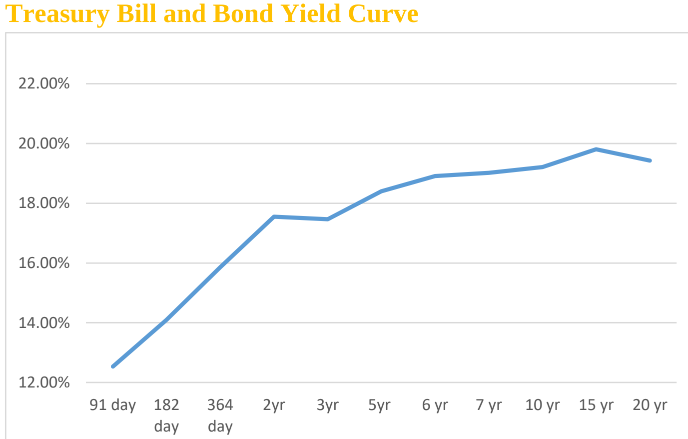
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	97.32	12.54%
182 day bill	93.53	14.10%
364 day bill	86.14	15.86%
2 year note*	100.07	17.55%
3 year note*	103.76	17.47%
5 year bond*	104.31	18.40%
6 year bond*	101.11	18.91%
7 year bond*	105.37	19.02%
10 year bond *	102.28	19.21%
15 year bond*	100.82	19.81%
20 year bond *	102.81	19.43%
Source: Central Securities Depositary		

**Benchmark security.*
2yr – Feb'23
3yr –Dec'23
5yr – Sept'25
6yr – Jun '27
7yr – Nov'27
10yr – June '29
15yr – July '34.
20 yr- August '39

Secondary Market Trades



Treasury Bill and Bond Yield Curve



Other Treasury Market

Nigeria: Nigeria's central bank is preparing an end to an era of debt sales that handed foreign investors some the best carry returns in Africa. Offerings to nonresidents of so-called Open Market Operations bills -- introduced to help stabilize the naira following the oil-price collapse in 2015 -- are to be phased out "once current obligations have been redeemed," Hassan Mahmud, the bank's director of monetary policy in Abuja, said in an interview aired during an online conference on Tuesday. He didn't give a time frame. Though the sales helped to shore up the currency, the debt has become too burdensome to sustain as foreigners snapped up securities that offered carry traders -- who borrow in low interest-rate markets to invest elsewhere -- returns of as much as 30% in dollar terms in recent years. The market for OMOs had grown to about $40 billion by the end of last year, according to Cairo-based investment bank EFG Hermes, with foreigners holding about a third. Read more http://bloom.bg/3sz3j2W

Kenya: Interest rates on government debt are expected to continue rising this year on the back of negative sentiment on the government's fiscal position and fluctuating liquidity in the market. A fixed income outlook note by investment bank Dyer& Blair says that the Increasing debt service burden coupled with the underperformance in revenue will sustain upward pressure on interest rates. Rates on government paper have in the past two years been largely contained, but have in the last few auctions shown upward bias as the government faces a larger budget deficit amid rising maturities of domestic debt. "Whereas we acknowledge the need for the government to commit to deficit reduction, we highlight that future deficits are already locked in by the debt refinancing burden and by the need to stimulate the economy post Covid-19," said the investment bank in the note. "Therefore, we expect fiscal deficit to remain elevated over the medium term implying that the associated upward pressure on interest rates will remain." Read more: https://cutt.ly/slNnQdA

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Research Contacts

Lawson Oppong-Asante
Email:
Tel: 0302 66 4910 -18 Ext 3516

Adomako Osei-Frimpong
Email: aofrimpong@gcb.com.gh
Tel: 0302 66 4910 -18 Ext 3607

Treasury & Sales Contacts

Anthony Asare
Email:akasare@gcb.com.gh
Tel: 0302 611 762

Daniel Boateng
Email: dboateng@gcb.com.gh
Tel: 0302 611 756

GCB Capital Ltd.

Riana Mahama

Email: rmahama@gcb.com.gh
Tel: 0302 945 848

Head Office:
No 2 Thorpe Link
P. O. Box 134, Accra
Tel: +233 (0)302 664910