

WEEKLY FIXED INCOME REPORT



Date Issued | 12th April, 2021

Primary Debt Market

- A total of GHS 1,170.67 million was raised in government's recent treasury auction. The amount raised came below the target for the auction by some GHS 369.33 million, despite the fact that almost all bids tendered were accepted. All bids tendered for both 91 day and 364 day bills were accepted with said securities raising GHS 850.66 million and GHS 153.66 million respectively. Bids accepted for the 182-day bill however came in some GHS 0.21 million lower than was tendered. Government in its next primary auction seeks to raise an amount of GHS 950 million in treasury sales of 91 day and 182 day bills only.

- Yields have been on a downward slope since the start of February 2021 been declining, and this trend was no different in the recent auction. Losing 4 bps in yields was the 91-day bill at 12.81% from 12.85% a week ago, Similarly the 182 day and 364 day bills saw yields drop by 1 bp and 12 bps correspondingly. As a result, the 182-day bill closed the auction at 13.61% whilst the 364-day bill stood at 16.45%. Year-to-date, yields on the 91-day bill have fallen by 9.08%. That of the 182 day and 364-day bill have also dropped by 3.64% and 3.24% respectively.

- Despite this auction showing a slight drop in subscription, we expect that the primary market would continue to see a decline in yields, albeit at a slightly slower pace at least until inflation figures are released.

Secondary Debt Market

- Last week, the secondary bourse witnessed a drastic decline in turnover. Value traded totaled GHS 2,941.16 million, a GHS 7,544.13 million decline from the GHS 10,485.29 million that exchanged hands in the preceding week. Much of the decline in turnover was seen at the head and tail of the curve. At the short end, 2 year and 3 year notes in circulation saw trades drop by GHS 51.16 and GHS 304.37 million respectively. At the longer end, the 15 year bond saw trades summing GHS 87.47 million from the GHS 6,483.42 million it raised the week before, reflecting a substantial GHS 6,395.95 million decline in turnover, week-on-week. It appears that low market activity has been influenced by the non-release of the Q2 issuance calendar leaving players sitting on the lines.

- For yields, the market gave mixed signals. Trading activity revolved around the head and belly of the curve, with yields seen dropping. Much action was seen hovering around the February 2023 and March 2024 maturities which saw yields drop by 15 bps and 20bps each. The rest of the curve remained net offered, with very little trades. The longer dated July 2034 and August 2039 witnessed yield increments each of 38 bps and 22 bps.

- Looking ahead, we forecast that yields would decline gradually over the next couple of weeks. This follows the IMF's prediction that the country's current account deficit would fall from 3.3% to 2.8%. This is expected to boost some investor confidence as to the country's ability to service existing and new debt. Furthermore, the Bank of Ghana's inflation outlook report has predicted inflation to ease in Q2 and Q3 of 2021, supported by easing food prices, stable exchange rate and well anchored inflationary expectations. This should support investor confidence and thus drive yields lower over the period.

REVIEW: Other Treasury Markets

Nigeria: Market participants on the Nigerian bond market, continue to react negatively to increased supply of bonds at the primary auction. This has led to a bearish FGN bond market. As such selling pressures have been observed across the curve, with yields increasing across tenors. Yields on the benchmark mid-dated papers (2026s-2029s) are seen increasing by as much as 25 bps. Read more: <https://cut.ly/HgVXjx8>

South Africa: Laurium Capital, a hedge fund company in South Africa has launched its first Irish-domiciled bond. The bond seeks to generate long term growth in capital. The bond is benchmark to the Standard Bank Africa Sovereign Eurobond (excluding, South Africa) Total Return Index. The company Laurium Capital is known to be investing across African markets since 2008. Read more: <https://cut.ly/PyUEWCQ>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	09/04/2021	850.66	850.66	12.85	12.81	(0.04)
182 day	09/04/2021	153.66	153.45	13.62	13.61	(0.01)
364 day	09/04/2021	166.56	166.56	16.57	16.45	(0.12)

Source: Bank of Ghana

Secondary Market

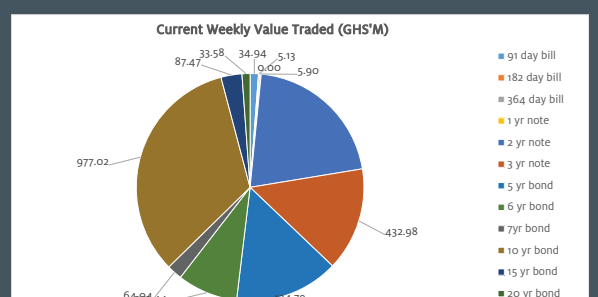
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	97.05	12.53%
182 day bill	94.40	12.94%
364 day bill	88.80	15.85%
2 year note*	100.89	16.98%
3 year note*	100.89	17.29%
5 year bond*	100.52	18.12%
6 year bond*	100.29	19.13%
7 year bond*	105.82	18.90%
10 year bond *	101.01	19.52%
15 year bond*	100.93	19.78%
20 year bond *	102.14	19.55%

Source: Central Securities Depository

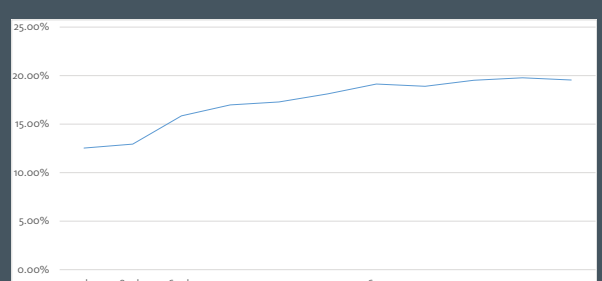
*Benchmark security.

2yr - Feb'23
 3yr - Mar'24
 5yr - Mar'26
 6yr - Jun '27
 7yr - Nov'27
 10yr - June '29
 15yr - July '34.
 20 yr- August '39

Secondary Market Trade



Treasury Bill & Bond Yield Curve



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**Take five,
sanitize.**



**Take five,
wash your hands.**

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