

WEEKLY FIXED INCOME REPORT



Date Issued | 24th May, 2021

Primary Debt Market

- The GoG in last week's primary auction of treasury bills raised a total of GHS 628.57 million via the issuance of 91 day and 182 day bills only. After meeting its treasury bill target last week, for the first time since the middle of March, government appears to have returned to its pattern of missing its treasury bill target. The target for the auction was set at GHS 791.00 million, thus government run short of about GHS 162.43 million. All bids tendered by primary dealers were accepted in this auction. In its next auction, government seeks to raise a total of GHS 1,177.00 million in 91 day, 182 day and 364 day treasury bills.

- Despite government's inability to raise its desired amount, yields on the 91 day bill declined by 3bps, from 12.79% to 12.76%, week-on-week. Similarly, albeit marginal, yields on the 182 day bill also decreased by 1 bp to 13.54% from 13.55%, a week ago. Consequently, year-to-date losses have been extended for both 91 day and 182 day securities. The 91day bill records a year-to-date loss of 9.46%, whilst the 182 day bill records a year-to-date loss of 4.11%.

- Surprisingly, there appears to still be some tightened liquidity on the interbank market, resulting in low money circulation. We project some slight increment in interest yields over the coming weeks in order to attract investors and raise sufficient funds on the domestic market.

Secondary Debt Market

- Last week, the secondary bourse was rather buoyant. Decent volumes were traded, particularly on the last day of the trading week, despite the primary auction being underway. A total of GHS 3,603.99 million exchanged hands, compared to GHS 2,400.33 million in the preceding week. Action was seen mainly around the belly of the curve, with the newly issued 5 year bond gaining much attention. Value traded for 2 year, 3 year and 5 year bonds in circulation, increased by 379.32 million, 579.58 million and 367.85 million respectively. At the long end of the curve, 15 year bonds also enjoyed a slight increase in value traded of about GHS 77.89 million more than was traded the week before.

- Interest was seen across the curve. The February 2023, March 2024 and June 2027 dealt around 17.14%, 17.56% and 18.97% respectively. At the tail of the curve, the November 2027, June 2029 and July 2034 also averaged at 18.88%, 19.40% and 20.43% respectively. The freshly issued 5 year May 2026 traded around 18.75% levels, 5 bps lower than its clearing yield at auction.

- The market is expected to look out for the possible announcement of a 7 year bond, which per the issuance calendar was scheduled for this month.

REVIEW: Other Treasury Markets

Nigeria: The current restrictive monetary policy in Nigeria has allowed corporate organization raise N1.02 trillion from domestic debt issuances in 2020, a report has shown. The figure borrowed in 2020 represented a 52.4% increase when compared to 2019 level of N669 billion. The GCR Ratings Research latest report on Nigeria's capital markets stated that issuance of corporate debt spiked as firms took advantage of the lowered monetary rates to either refinance expensive bilateral loans with banks or raise additional debts.

Read more: <https://cutt.ly/ane16Gv>

South Africa: Fitch credit rating has affirmed South Africa's Long Term Foreign Currency Issuer Default Rating (IDR) at 'BB-' with a negative outlook. This rating was said to have been influenced by high and rising government debt, low trend growth and high inequality that is likely to impede on consolidation efforts. Also taken into consideration was a favourable debt structure with long maturities denominated mainly in local currency.

Read more: <https://cutt.ly/wne2EZm>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	24/05/2021	476.25	476.25	12.79	12.76	(0.03)
182 day	24/05/2021	152.12	152.12	13.55	13.54	(0.01)

Source: Bank of Ghana

Secondary Market

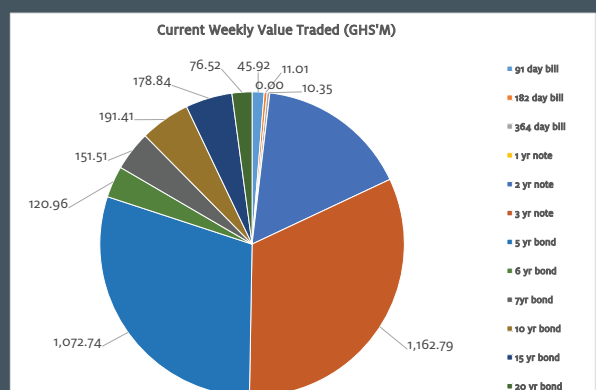
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	97.17	12.54%
182 day bill	93.80	12.95%
364 day bill	86.23	15.90%
2 year note*	100.58	17.14%
3 year note*	172.25	17.56%
5 year bond*	100.06	18.75%
6 year bond*	100.86	18.97%
7 year bond*	105.92	18.87%
10 year bond *	101.53	19.40%
15 year bond*	98.05	20.43%
20 year bond *	101.12	19.75%

Source: Central Securities Depository

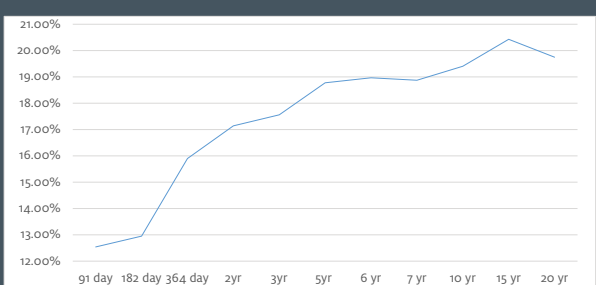
*Benchmark security.

- 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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