

WEEKLY FIXED INCOME REPORT



Date Issued | 7th June, 2021

Primary Debt Market

- After exceeding its primary auction target a fortnight ago, the GoG in last week's auction missed its target slightly, by a minimal GHS 39.24 million. After all bids tendered were accepted, government raised a total of GHS 1,241.76 million in 91 day and 182 day treasury bills. A sum of GHS 1,142.33 million was raised in 91 day bills, whilst the 182 day bill raised GHS 99.43 million. In the next auction, 91 day, 182 day and 364 day bills are expected to raise a total of GHS 1,171.00 million.

- Yields declined in the auction. Yields on the 91 day bill declined by 7bps, from 12.78% to 12.71%. Similarly, that of the 182 day bill dropped by 8 bps to stand at 13.43% from 13.51% the previous week. On a year-to-date basis, the 91 day bill has witnessed a 9.82% loss whilst the 182 day bill has recorded a yield loss of about 4.89%.

- In the news last week, the Bank of Ghana cut its benchmark policy rate for the first time in 14 months. The policy rate was cut by 100 bps to 13.5%. This was driven by the recent slowdown in inflation (a 3 month low of 8.5% in April), a tight monetary stance and stable exchange rate conditions. As a result, we expect to see the gradual and continuous easing of yields on the primary market. Furthermore, the central bank's updated Composite Index of Economic Activity (CIEA) registered a strong annual growth of 26.8% in the first quarter of this year, compared to a contraction of 1.9% for the corresponding period of 2020.

Secondary Debt Market

- The secondary bourse observed a slight reduction in total market turnover for the week under review. A total of GHS 3,052.74 million changed hands. This compares to the turnover of GHS 3,124.61 million in the preceding week, reflecting a GHS 71.87 million decline in trades. Much interest was clustered mainly at the belly of the curve, with short and longer term bonds witnessing declines in trade volumes.

- Yields on benchmark securities were seen largely lower as interest heightened for most maturities. The May 2026 and June 2027 changed hands 12 bps and 22 bps lower to stand at 18.56% and 18.74 % respectively. Similarly, decent sizes of the November 2027 and June 2029 traded at 18.64% and 19.12% respectively. This reflected a drop of about 39 bps and 21 bps each in yields. The July 2034 also witnessed some activity, trading 13bps lower to close the session at 19.92%.

- Looking ahead, we anticipate that yields will decline further as demand for Ghana local currency bonds (GHGBs) remain. With improved economic prospects, as cited by the Monetary Policy Committee (MPC) last week, we foresee heightened foreign investor interest on the secondary market.

REVIEW: Other Treasury Markets

Kenya: Family Bank, Kenya has received authorization from the Capital Markets Authority to raise bonds by way of a public offer. The Bank is returning to the corporate bond market, seeking to raise Sh4 billion to fund its growth, raising its potential debt issuance to Sh8 billion. The bonds will have a tenor of five years and their other features, including interest rates, will be set in the coming days. Kenya's corporate bond market has shrunk considerably in recent years after investors were burnt by the defaults of Imperial Bank and Chase Bank. Most of the issuers redeemed their bonds and opted for alternative sources of funds including loans from banks, shareholders and development finance institutions. There are only three investment-grade bonds trading on the Nairobi Securities Exchange which were issued by East African Breweries Limited (Sh6 billion), Acorn (Sh2.4 billion) and Centum (Sh5.2 billion). The bonds have interest rates ranging from 12 percent to 14.1 percent. **Read more:** <https://cutt.ly/qnEmXtg>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	04/06/2021	1,142.33	1,142.33	12.78	12.71	(0.07)
182 day	04/06/2021	99.43	99.43	13.51	13.43	(0.08)

Source: Bank of Ghana

Secondary Market

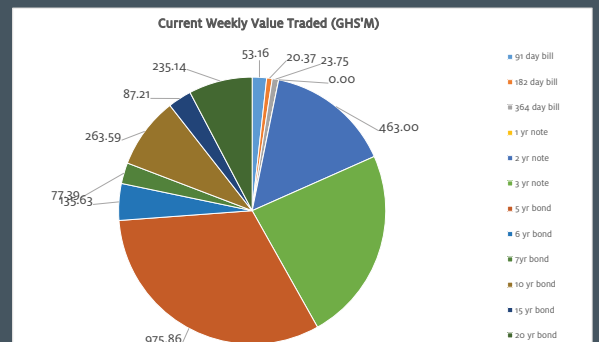
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.9	12.54%
182 day bill	94.63	12.94%
364 day bill	86.01	15.90%
2 year note*	100.64	17.09%
3 year note*	122.44	17.57%
5 year bond*	100.70	18.56%
6 year bond*	101.65	18.74%
7 year bond*	106.75	18.64%
10 year bond *	102.71	19.12%
15 year bond*	100.31	19.92%
20 year bond *	100.93	19.79%

Source: Central Securities Depository

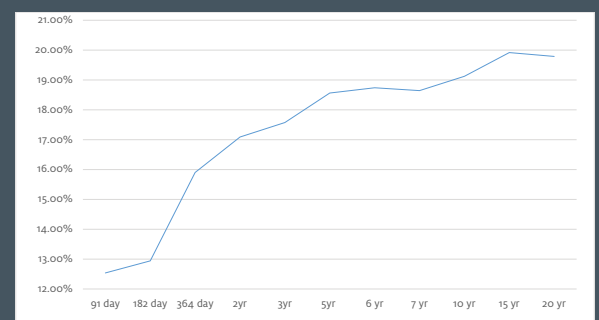
*Benchmark security.

- 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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