

WEEKLY FIXED INCOME REPORT



Date Issued | 21st June, 2021

Primary Debt Market

- For this week's auction, the GoG raised a sum of GHS1,224.32 million in 91 day and 182 day bills, exceeding its target of 1,175.00 million. In addition to the issuance of treasury bills, the government also issued a 7 year bond which saw significant interest from both local and offshore investors and raised about GHS 1.86 billion, exceeding the GHS 1.80 billion target. All bids tendered across issued securities were accepted. The 91 day bill raised GHS 1,048.93 million whilst the 182 day bill raised GHS175.39 million. In the next auction, government seeks to raise GHS 1,216.00 million in 91 day, 182 day and 364 day bills.

- As expected, yields on the primary market continued to drift downwards. Losing a substantial 240 bps was the 7-year bond which stood at 18.10% (the upper band of the Initial Pricing Guidance) from 20.50% when it was last issued on the primary market. Similarly, the 182 day and 91 day bills lost 3 bps and 1 bp respectively. Consequently, the 182 day bill closed the auction at 13.39% whilst the 91 day bill closed at 12.63%.

- The oversubscription of treasury bills in the recent auction was unexpected given the recent policy rate cut by the Bank of Ghana. COVID-19 related risks appear to have resulted in a wait and see posture by banks in lending to consumers. Rather, these market players are seen shifting investments into short term securities.

Secondary Debt Market

- The secondary market began the week on a calm note, as market players mainly sat on the sidelines as the issuance of the 7 year bond was underway. As the week drew to a close some trades were seen for longer dated securities. Total turnover thus stood at GHS5,890.56 million, GHS1,899.68 million higher than was traded in the preceding week.

- For benchmark securities, bits and bobs were seen trading around the belly of the curve, with the rest of the curve relatively net offered. The February 2023 closed at 19.16% whilst the May 2026 and June 2027 also closed at 18.01% and 18.18% respectively. We expect activity to pick up this week slightly this week following the settlement of the 7 year bond.

- In other news, the country's GDP rose by 3.1% year-on-year in Q1'2021. This compares with a performance of 7.0% for the same period last year. We expect this news to adversely affect investor confidence and possibly lead to decline in demand for Ghana bonds (GHGBs) in the upcoming weeks.

REVIEW: Other Treasury Markets

Kenya: The Central Bank of Kenya (CBK) has embarked on certain reforms to reduce the dominance of local banks in the issuance of government securities, lower the cost of borrowing and boost cash flow for investors. This forms part of a deal the country has with the World Bank Group for the disbursement of \$750 million (Sh81 billion) under the Development Policy Operations (DPO) expected by end of the month. The CBK in January published updated auction rules for Treasury bonds and bills as part of the reforms to reduce domestic debt costs and risks by promoting transparency and market confidence, thus "preserving the integrity of the auction process".

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

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	18/06/2021	1,048.93	1,048.93	12.64	12.63	(0.01)
182 day	18/06/2021	175.39	175.39	13.42	13.39	(0.03)
7 year	18/06/2021	1,859.79	1,859.79	20.50	18.10	(2.40)

Source: Bank of Ghana

Secondary Market

Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.97	12.54%
182 day bill	94.86	12.94%
364 day bill	86.14	15.90%
2 year note*	101.60	19.16%
3 year note*	108.49	16.84%
5 year bond*	102.44	18.01%
6 year bond*	103.60	18.18%
7 year bond*	109.43	17.94%
10 year bond *	105.04	18.56%
15 year bond*	106.78	18.60%
20 year bond *	101.73	19.64%

Source: Central Securities Depository

*Benchmark security.

2yr - Feb'23

3yr - Mar'24

5yr - Mar'26

6yr - Jun '27

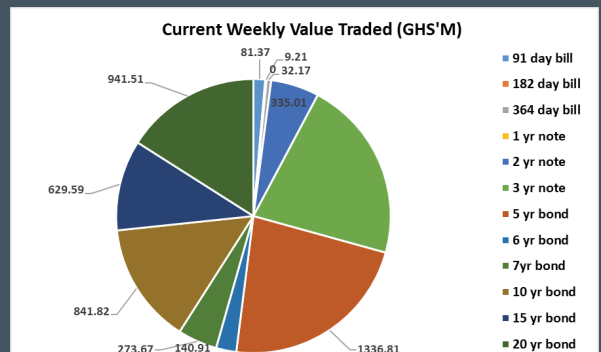
7yr - Nov'27

10yr - June '29

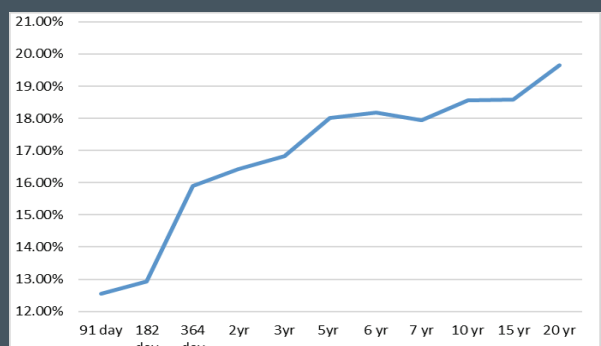
15yr - July '34.

20 yr- August '39

Secondary Market Trade



Treasury Bill & Bond Yield Curve



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Research Contacts

Lawson Oppong-Asante
Email: loppong-asante@gcb.com.gh
Tel: 0302 66 4910 -18

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

Michael Bedjrah
Email: mbedjrah@gcb.com.gh
Tel: 0302 66 4910 -18

Treasury & Sales Contacts

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

Daniel Boateng
Email: daboateng@gcb.com.gh

GCB Securities Ltd.

Michelle N.O Dadey
Email: mnodadey@gcb.com.gh
Tel: 0559 733 990 0302 945848

Head Office:

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

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