

WEEKLY FIXED INCOME REPORT



Date Issued | 28th June, 2021

Primary Debt Market

- Last week's GoG primary auction saw the issuance of 91 day, 182 day and 364 day bills which raised a total of GHS 1,296.93 million. Demand for short term GoG debt continues to be high as government exceeded its primary target of GHS 1,216.00 million by some GHS 80.93 million bids. This occurred even after government rejected some bids submitted for the 91 day and 364 day. In total, GHS 1,525.17 million bids were tendered, with GHS 228.24 million bids rejected. Unlike recent auctions, the 364 day bill was in high demand, accounting for about 41% of bids accepted, the 91 day accounted for about 44% of bids, whilst the remaining 15% of bids was accounted for by the 182 day bill. In the next auction, GoG targets a sum of GHS 1,178.00 million via the issuance of 91 day and 182 day bills only.

- The downward trend of yields continued for this auction. Yields have drifted downwards after the release of inflation data and the recent cut in the policy rate. Interestingly, yields declined by a minimal 1 bp across all securities issued. Subsequently the 91 day, 182 day and 364 day bills stood at 12.62%, 13.38% and 16.33% respectively at the close of the auction.

- Banks, the dominant players in short term instruments, have adopted a cautious approach by investing more in risk free instruments than lending to the private sector. This trend as was predicted by the March 2021 Banking Sector report is expected to persist at least until the third quarter. As such we expect sustained demand from banks to influence a downward drift in yields in the coming weeks.

Secondary Debt Market

- The secondary market began the week on a quiet note with little trades across the curve. However, by Thursday activity began to pick up, particularly for 5 year bonds and this accounted for much of the increase in market turnover. A total of GHS 13,913.08 million exchanged hands during the week, GHS 8,022.50 million higher than the preceding week. This came after 5 year bonds in circulation saw turnover increase by GHS 10,077.46 million

- For benchmark securities, the market was mostly offered across the curve. As demand for GoG bonds (GHGBs) remained weak, offers outweighed bids in the session. The newly minted 7-year bond was offered at 18.00%, however, demand for the paper was almost non-existent. Some bidding interest was however seen for the 2032 and 2039 maturities which dealt at 18.36% and 19.15% respectively.

- In the news, Fitch Ratings has revised the Outlook on Ghana's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Negative from Stable and affirmed the IDR at 'B'. The revision of the Outlook to Negative reflects the significant deterioration in public finances stemming from the Covid-19 pandemic and the delays in the government's fiscal consolidation efforts, which reduces Ghana's ability to absorb further shocks for an extended period. This downgrade is likely to affect foreign investor demand for local bonds and the coming weeks will be very telling.

REVIEW: Other Treasury Markets

Kenya: Last week, the Federal Government of Nigeria, through the Debt Management Office, disclosed that for its June 2021 FGN bond auction, a total of N417.48 billion bids were received for the MAR 2027, 2035, and 2050 bonds, despite an offer of N150 billion. The auction was oversubscribed by N267.48 billion (over 178%) in total. The Nigerian government was able to reduce rates whilst still experiencing oversubscription. This lowers their borrowing costs. **Read more:** <https://cutt.ly/EmaoUNS>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	25/06/2021	739.6	576.99	12.63	12.62	(0.01)
182 day	25/06/2021	184.42	184.42	13.39	13.38	(0.01)
364 day	25/06/2021	601.15	535.52	16.34	16.33	(0.01)

Secondary Market

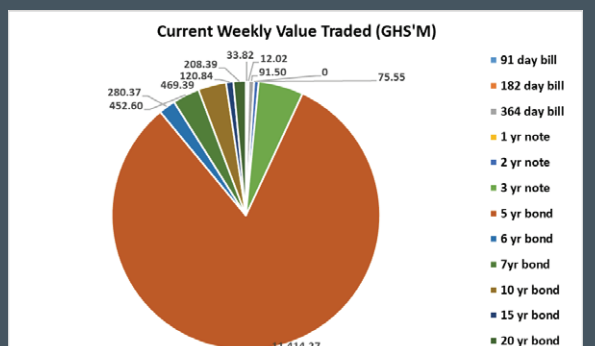
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	97.69	12.54%
182 day bill	94.24	12.94%
364 day bill	86.95	15.85%
2 year note*	101.32	16.60%
3 year note*	102.69	16.69%
5 year bond*	102.17	18.09%
6 year bond*	103.53	18.20%
7 year bond*	100.1	18.00%
10 year bond *	102.44	19.19%
15 year bond*	107.97	18.36%
20 year bond *	104.18	19.15%

Source: Central Securities Depository

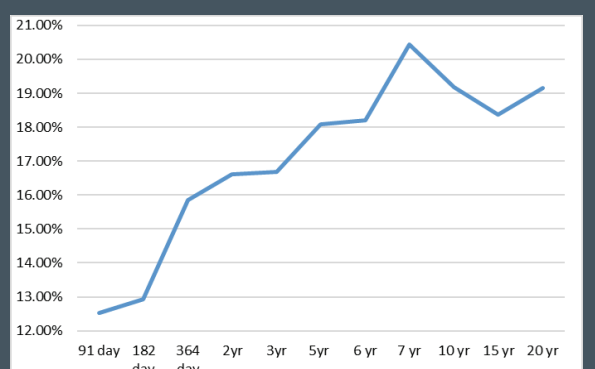
*Benchmark security.

- 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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