

WEEKLY FIXED INCOME REPORT



Date Issued | 18th October, 2021

Primary Debt Market

- In last week's treasury auction, 91 day, 182 day and 364 day bills were issued, from which a sum of GHS 1,003.25 million was raised by government. This exceeded the targeted amount of GHS 934.25 million after all tendered bids by primary dealers were accepted. The 91 day bill secured GHS 867.55 million, whilst the 182 day and 364 day bill garnered GHS63.99 million and GHS 71.71 million respectively. In what was a rather active week, the GoG also issued a 3year bond which raised GHS 962.96 million. This week, government seeks to raise a much higher amount of GHS 1,083.00 in 91 day and 182 day bills only.

- Yields on the 91 day bill and 182 day bill declined by 2 bps and 1 bp respectively. Consequently, at the end of the session, the 91-day bill stood at 12.45% whilst the 182-day bill stood at 13.14%. Conversely, yields on the 364-day bill inched up by 6 bps from 16.21% a fortnight ago to 16.27%. The newly issued 3-year bond, was issued with a final yield of 19.00%, this compares to the yield of 17.70% from when it was last issued in March this year.

- Headline inflation increased to 10.6% year-on-year in September from 9.7% in August. This is a 14 months high and far exceeds market expectations as it puts inflation above the MPC's medium term target of 6%-10%. Inflation was driven mainly by higher food inflation, higher energy and utility costs and a weaker currency. Nonetheless, we do not expect a hike in the MPC rate next month.

Secondary Debt Market

- Total trading volume on the secondary bourse declined last week by some GHS 1,053.54 million. With the exception of the 10 year and 15 year bonds in circulation, which saw some substantial turnover, turnover decreased across all other trading tenors. Turnover across 2 year and 3 year bonds recorded a weekly decline of GHS 948.71 million and GHS 45.74 million respectively. Similarly, for 6 year and 7 year bonds turnover dropped by GHS 343.78 million and GHS 239.31 million each. The longer dated 20 year bonds also witnessed a GHS 142.86 million drop in turnover during the week under review.

- During the start of the week, the secondary market was rather busy as September inflation came in higher than expected. The market was heavily offered, particularly at the front to belly of the curve, mainly by offshore investors. By close of the week, news of COCOBOD flows hitting the local interbank resulted in bids dropping even further. Yields on the March 2024 advanced by 252 bps whilst that of the May 2026 inched up by 18 bps. Similarly, the July 2031 closed at 19.87% (up 21 bps). The 15 year and 20 year also saw yields increase by 219 bps and 63 bps respectively.

- In the news, the GoG seeks to raise GHS 21.17 billion in Q4 of this year. Of this amount, GHS 20.13 billion will be used to finance maturing obligations whilst the remaining GHS 1.04 billion will be fresh issuance to meet governments financing requirements. Looking ahead, we expect that improved GHS liquidity will cause yields to stabilize.

REVIEW: Other Treasury Markets

Nigeria: Last week, the Nigerian Treasury Bills secondary market extended its bullish performance for a third consecutive week. This was on the back of sustained demand which was triggered by unmet Primary Market Auction bids. Consequently, average yields on treasury bills contracted 7bps week-on-week to settle at 5.20% (from 5.27% the previous week). Particularly, long-dated bills recorded the most demand, with the 30-Jun-22, 28-Apr-22 and 14-Jul-22 bills declining the most by 65bps, 52bps and 46bps week-on-week respectively. **Read more:** <https://cutt.ly/NRjngqH>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	15/10/2021	867.55	867.55	12.47	12.45	(0.02)
182 day	15/10/2021	63.99	63.99	13.15	13.14	(0.01)
364 day	15/10/2021	71.71	71.71	16.21	16.27	0.06
3 year	15/10/2021	962.96	962.96	17.70	19.00	1.30

Source: Bank of Ghana

Secondary Market

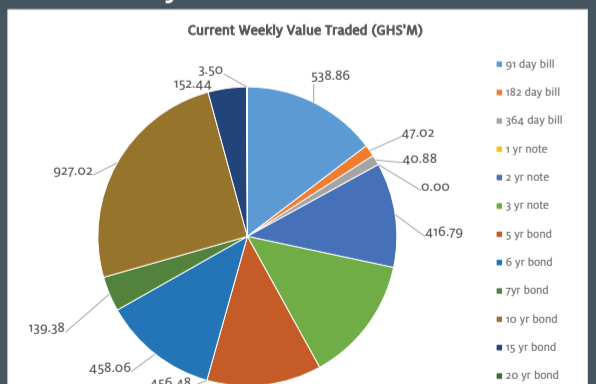
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	96.29	12.54%
182 day bill	95.62	12.94%
364 day bill	95.59	14.60%
2 year note*	100.74	17.02%
3 year note*	87.71	24.73%
5 year bond*	96.78	19.89%
6 year bond*	97.91	19.39%
7 year bond*	99.64	18.17%
10 year bond *	99.40	19.87%
15 year bond*	97.81	20.46%
20 year bond *	100.20	19.94%

Source: Central Securities Depository

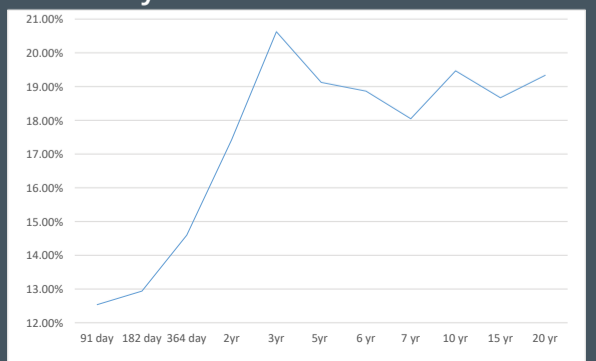
*Benchmark security.

- 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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