

WEEKLY FIXED INCOME REPORT



Date Issued | 13th January, 2020

Primary Debt Market

- The issuance of 91 day and 182 day bills in last week's GoG auction raised a total of GHS 720.79 million. The 91 day bill raised GHS 643.79 million, accounting for almost 90% of bids raised. The 182 day bill also raised GHS 77.00. In this auction, government exceeded the targeted amount of GHS 657.00 million. A total of GHS 822.00 million in 91 day and 182 day bills is targeted for the upcoming auction.

- Yields were fairly stable, with the 91 day bill a minimal 2 bps up to 14.69% from 14.67% the week before. The 182 day bill however remained unchanged at 15.17%. The relative stability of yields was supported by well anchored inflation.

- The release of inflation data for December 2019 last week, saw inflation drop 30bps to 7.9%, beating the end-of-year target of 8% as was announced in the mid-year budget. Inflation for December was influenced mainly by a relatively lower year-on-year inflation of food and non-alcoholic prices which measured at 7.2%. The fall in inflation is likely to result in a monetary policy rate cut later this month. This would make it the first reduction since January 2019 when rates saw a 100 bps cut after which rates remained unchanged at 16% throughout the 2019 financial year.

Secondary Debt Market

- A total of GHS 759.95 million exchanged hands on the secondary bourse last week, up GHS 158.76 million from the GHS 601.19 million that exchanged hands the week before. Increases in value traded across 2 year (GHS 33.11 mn), 3 year (GHS 58.58 mn), 6 year (GHS 77.03 mn), 15 year (GHS 17.75 mn) and 20 year bonds (GHS 3.851mn) supported much of the increase in weekly turnover. The one year note however remained illiquid for the second consecutive week this year.

- Despite the recent dip in inflation, yields for benchmark securities reversed trends of the previous week and drifted upwards. Local interest was however seen across short dated instruments, with the April 2020 and July 2020 trading around 14.70% and 15.26%. The belly of the curve - May 2022, July 2024 and January 2025 changed hands at 20.75%, 21.31% and 20.86% respectively. The tail of the curve also saw the July 2034 and August 2039 trade at 20.85% and 20.37% respectively.

- Looking ahead into the rest of January, the GoG through the Ministry of Finance is expected to raise funds worth US\$ 3 billion on the international market for the 2020 International Funding Program (Eurobond). The planned 2020 bond issuance will be the seventh time Ghana will be borrowing from the Eurobond market in the past eight years. A successful Eurobond would make available some significant funds for the government to carry out the planned infrastructure projects for this year and also help finance the budget deficit for 2020. This is also expected to deepen secondary market activity for the year.

REVIEW: Other Treasury Markets

- **Nigeria:** Demand for Treasury bills on the Nigerian bonds market intensified last week. This came on the back of the Central Bank of Nigeria's (CBN) policy to restrict domestic investors from the OMO market as well as robust system liquidity levels which continued to support market sentiment. Consequently, average yields on treasury bills across all tenors declined by 98 bps week-on-week to settle at 6.3% on Friday. Much of the buying interest was seen at the short to medium end of the curve, particularly the 16-Jan-20 (-229bps), 12-Mar-20 (-228bps) and 15-Oct-20 (-216bps) maturities. (Proshar-eng) <https://bit.ly/3a6KlrS>

- **Kenya:** East Africa's premier Sh 4.3 billion green bond started trading last week Monday on the Nairobi Securities Exchange (NSE). The 5 year bond, issued by real estate developer Acorn, will be listed in three tranches with the newly listed first tranche floated at Sh 786 million. The bond that attracts a 12.5% interest annually, is waiting for final approvals to cross list next week on the London Stock Exchange (LSE). (TheStandard) <https://bit.ly/2tesFdd>

Primary Market

Security	Recent auction (date)	Amount tendered (GHS'M)	Bids accepted (GHS'M)	Prev. yield (%)	Current yield (%)	Change (%)
91 day	10/01/2020	643.79	643.79	14.67	14.69	0.02
182 day	10/01/2020	77.00	77.00	15.17	15.17	0.00

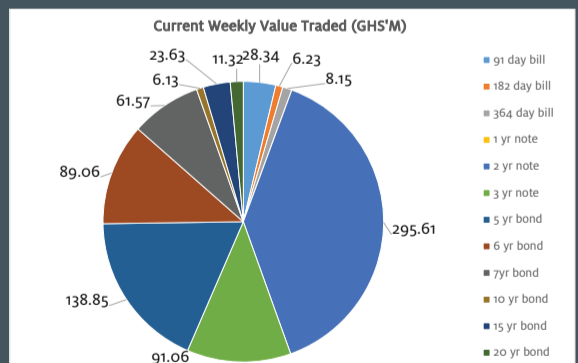
Source: Bank of Ghana

Secondary Market

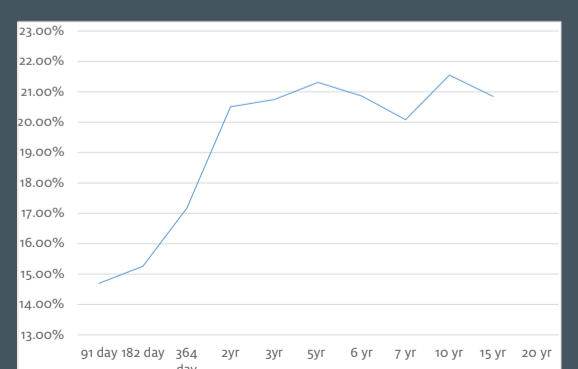
Security	Weighted avg. price (estimated)	Weighted avg. yield (estimated) %
91 day bill	93.34	14.7
182 day bill	93.49	15.26
364 day bill	85.50	17.17
2 year note*	100.59	20.51
3 year note*	98.02	20.75
5 year bond*	94.92	21.31
6 year bond*	100.38	20.86
7 year bond*	85.02	20.08
10 year bond *	93.01	21.55
15 year bond*	96.16	20.85
20 year bond *	99.13	20.37

*Benchmark security.
 364 day -- November '20
 2yr -- November '21
 3yr -- May '22
 5yr -- July '24
 6yr -- January '25
 7yr -- April '25
 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: 0302 559733990 0302 945848

Head Office:

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

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