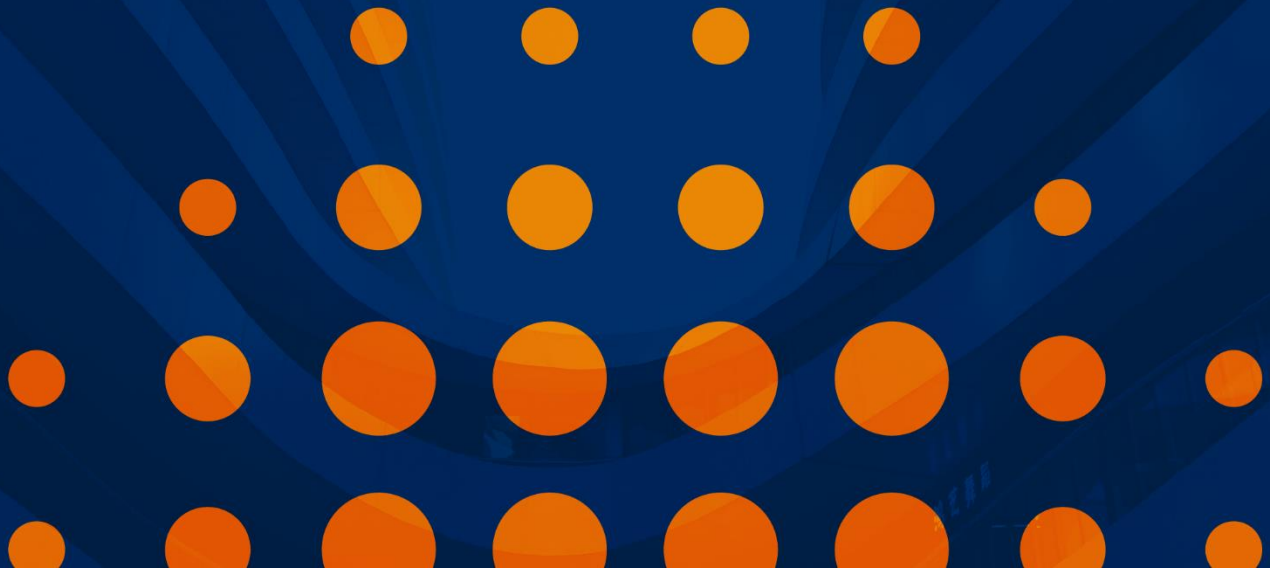




Market Insights | Pan-Africa | News & Analysis

IC FIXED INCOME & CURRENCY GUIDE

01 NOVEMBER 2024



REPORT SUMMARY

COUNTRY	FIXED INCOME	CURRENCY
Ghana	<ul style="list-style-type: none"> The Ghanaian Treasury was unable to fully cover its gross T-bill target for October 2024 but successfully exceeded the maturities for the month. Notably, we observed a sharp decline in the average weekly T-bill targets against a modest softening in investor demand to limit the net uncovered auction. Yields continued the upshift with average increase of 40bps across the T-bill curve in October. We observed the non-publication of Pricing Guidance to the market ahead of the T-bill auctions. This suggests a revised strategy to allow a more market-determined pricing, albeit with a likely internal cap on yields to guide the allotments. Ghana's restructured Eurobonds traded at yields of between 8.9% - 10.3% on the Disco bonds and 9.6% on the Par bond (above the similar credit ZAMBIN curve) as investors priced-in the relatively lower cash flow on the Ghanaian securities. 	<ul style="list-style-type: none"> Depreciation pressure intensified on the Cedi in Oct-2024 as forex demand emerged, mainly from energy, commerce, and manufacturing sector firms to stock up ahead of the year-end festivities. Although the BOG sustained its FX sales on the weekly 7-day forwards (total: USD 279.5mn), the Cedi witnessed a faster depreciation of 3.0% m/m vs the USD as FX supply remained insufficient. We note that the BOG has successfully merged the interbank transactions FX rate and the BOG reference rate, eliminating the perennial distortionary parallel market. Although external accounts have shown encouraging improvements so far this year, we also view the seasonal FX demand, election uncertainty, and the heightened GHS liquidity as potential depreciation risks.
Kenya	<ul style="list-style-type: none"> Demand for Kenyan Treasury bills strengthened markedly in October 2024, particularly for the 182-day and 364-day tenors as investors moved up across the T-bill curve ostensibly to lock-in higher rates amidst the steady downshift in nominal yields. We also view the attractively high real yields amidst the stable KES as supporting the appeal of Kenyan Treasury bills amidst the lower interest rate outlook in advanced markets. However, we view the Central Bank's benign near-term outlook on inflation as a signal for lower interest rates which will narrow the inflation premium on T-bills, barring the fiscal risk. 	<ul style="list-style-type: none"> The Kenyan Shilling defied the heightened political risk emanating from the impeachment proceedings against the Deputy President and the lingering fiscal risk, remaining static into Oct-2024. The Shilling stability is supported by remittance inflows, high real interest rates, and robust FX reserves at 4.4 months of import cover as the CBK turned a net-buyer of FX on the market. Although the IMF Board has approved Kenya's 7th & 8th programme reviews with expected disbursement of USD 606.0mn, the Shilling's static position in the past 2-months leaves us cautious of accumulated depreciation for the future.
Nigeria	<ul style="list-style-type: none"> The Nigerian Treasury Bill (NTB) primary market was quiet in October 2024 as the Treasury executed only one transaction instead of the fortnightly issuances. We believe the Central Bank's intensified measures to tighten Naira liquidity amidst the inflation pressure have heightened the Treasury's funding cost, restraining the frequency of NTB issuances Primary market yields were generally stable along the front-end of the curve, albeit with a slight decline on the 364-day tenor. However, the secondary market T-bill yields reflected the tighter Naira liquidity with an average 275bps upsurge. 	<ul style="list-style-type: none"> The Naira depreciated by 8.0% m/m on the official (NAFEM) rate, rising above 1,670/USD while the parallel rate lost 2.5% m/m to 1,750/USD. Although this reflects the general seasonal depreciation pressure, we think the sharper depreciation on the official rate reflects a correction towards its market-clearing levels. The Central Bank remains resolute in its ongoing FX market reforms with the planned introduction of an Electronic Foreign Exchange Matching System (EFEMS) on 1st Dec-2024 after a 2-week test run in Nov-2024. We expect the EFEMS to enhance transparency and regulatory oversight in the FX market and support price discovery in the Naira exchange rate.

Ghana Market Commentary

Fixed Income

The Ghanaian Treasury was unable to fully cover its gross target for October 2024 but successfully exceeded the maturing T-bills for the month. Notably, we observed a reduction in the average weekly T-bill targets to GHS 4.6bn from the approximately GHS 6.0bn in September. With the average weekly T-bill demand easing slightly to GHS 4.2bn (vs GHS 4.7bn in September) against the average target of GHS 4.6bn, the uncovered auctions reduced m/m in October 2024.

Total bids submitted across the T-bills were worth GHS 16.9bn (-28.5% m/m) against a gross target of GHS 18.6bn (-36.9% m/m). The Treasury accepted all bids tendered to exceed the refinancing obligation for the month by 16.7% but fell short of target by 8.9%. Although the reduction in the weekly auction target hints of a moderation in the upward pressure on yields, the accumulated shortfalls at previous auctions leaves us concerned about the state of financing requirement, which will keep yields elevated amidst the inflation uncertainty.

Yields continued the upshift with a 50bps rise on the 91-day (26.19%), a 40bps climb on the 182-day (27.29%), and a 30bps uptick on the 364-day (28.97%). We observed the non-publication of Pricing Guidance to the market ahead of the T-bill auctions. This suggests a revised strategy to allow a more market-determined pricing, albeit with a likely internal cap on yield to guide allotment.

The restructured Eurobonds traded at yields of between 8.9% - 10.3% on the Disco bond and 9.6% on the Par bond (above the similar credit ZAMBIN curve) as investors priced-in the relatively lower cash flow on the Ghanaian securities.

Currency Market

Depreciation pressure intensified on the Cedi in Oct-2024 as forex demand emerged, mainly from energy, commerce, and manufacturing sector firms to stock up ahead of the year-end festivities. Although the BOG sustained its FX sales on the weekly 7-day forwards (total: USD 279.5mn), the Cedi witnessed a faster depreciation of 3.0% as FX supply remained insufficient. The BOG has successfully merged the interbank transactions FX rate and the BOG reference rate, eliminating the perennial distortionary parallel market.

Although external accounts have shown encouraging improvements so far this year, we also view the seasonal FX demand, election uncertainty, and recent upsurge in interbank GHS liquidity as potential depreciation risk.

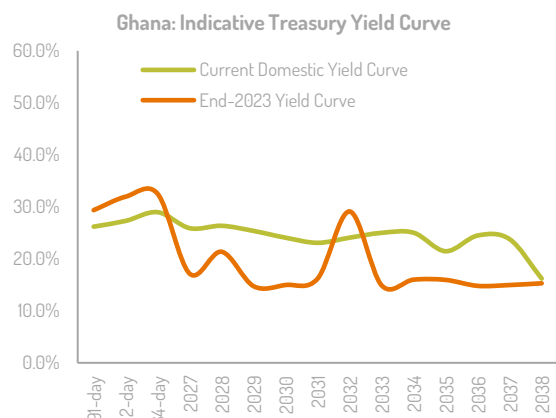
	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	26.19%	55	-317
182-day	27.29%	37	-466
364-day	28.97%	29	-352

	Upcoming Maturities* (Nov-2024)	Upcoming Target* (This week)	M/M Change in Maturities
91-day	13,823.66	4,010	21.7%
182-day	3,393.98		29.6%
364-day	2,632.60		417.3%

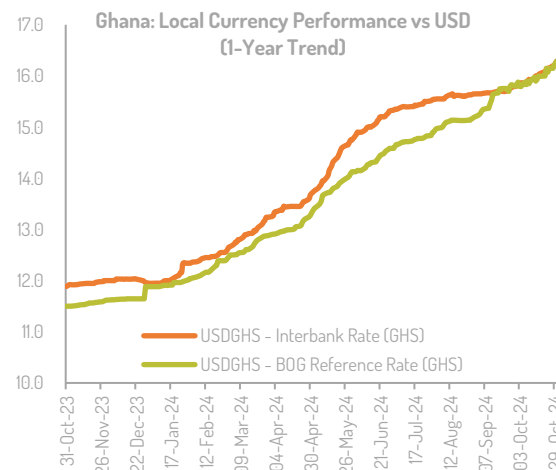
*GHS Million

	Spot Exchange Rate (GHS)		
	Current Mid-Rate	Last Month	M/M Change*
USDGHS	16.29	15.80	-3.05%
GBPGHS	21.02	21.16	0.65%
EURGHS	17.73	17.60	-0.76%

*Negative change means Depreciation while Positive change means Appreciation



Local Currency "General Category" Bonds (GHS)				Ghana Restructured Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Feb-27	8.35%	70.44	25.89%	DISCO BOND		
Feb-28	8.50%	60.88	26.35%	Jul-29	5.00%	8.90%
Feb-29	8.65%	56.36	25.36%	Jul-35	5.00%	10.26%
Feb-30	8.80%	54.45	24.06%	PAR BOND		
Feb-31	8.95%	53.30	23.08%	Jan-37	1.50%	9.64%
Feb-32	9.10%	48.56	24.07%	DOWN PAYMENT BOND		
Feb-33	9.25%	45.06	25.00%	Jul-26	Zero-coupon	4.51%
Feb-34	9.40%	43.27	25.02%	PAST DUE INTEREST (PDI) BOND		
Feb-35	9.55%	50.18	21.46%	Jan-30	Zero-coupon	5.43%
Feb-36	9.70%	42.77	24.48%			
Feb-37	9.85%	43.82	23.77%			
Feb-38	10.00%	65.70	16.20%			



Kenya Market Commentary

Fixed Income

Demand for Kenyan Treasury bills strengthened markedly in October 2024, particularly for the 182-day and 364-day tenors as investors moved up across the T-bill curve ostensibly to lock-in higher rates amidst the steady downshift in nominal yields. We also view the attractively high real yields amidst the stable KES as supporting the appeal of Kenyan Treasury bills amidst the lower interest rate outlook in advanced markets.

The total bids submitted across the three tenors were worth KES 293.7bn (USD 2.3bn), exceeding the prior month's bid by 116.3% m/m and enabling the Treasury to surpass its refinancing obligation for the just-ended month. The Treasury accepted KES 136.7bn (USD 1.1bn), barely half of the total bids tendered. We expect the unmet demand to flow into the secondary bond market with a downside risk to bond yields.

Yields expectedly declined across the T-bill curve with the 91-day and 364-day yields shaving off 130bps each to 14.4% and 15.5%, respectively. The 182-day trimmed 140bps m/m to close at 15.2%.

In October 2024, the monetary policy committee expectedly reduced the policy rate by 75bps to 12.0%, albeit less than our expected cut of 100bps, as the MPC projects headline inflation to remain below the 5.0% midpoint target over the near-term. We view this outlook as a signal for lower interest rates as the authorities would seek to narrow the inflation premium on T-bills, barring the fiscal risk.

Currency Market

The Kenyan Shilling defied the heightened political risk emanating from the impeachment proceedings against the Deputy President and the lingering fiscal risk, remaining static into Oct-2024. The Shilling stability is supported by remittance inflows, high real interest rates, and robust FX reserves at 4.4 months of import cover as the CBK turned a net-buyer of FX on the market.

Although the IMF Board has approved Kenya's 7th & 8th programme reviews with expected disbursement of USD 606.0mn, the Shilling's static position in the past 2-months leaves us cautious of accumulated depreciation for the future.

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	14.43%	-129	-145
182-day	15.15%	-144	-82
364-day	15.47%	-133	-43

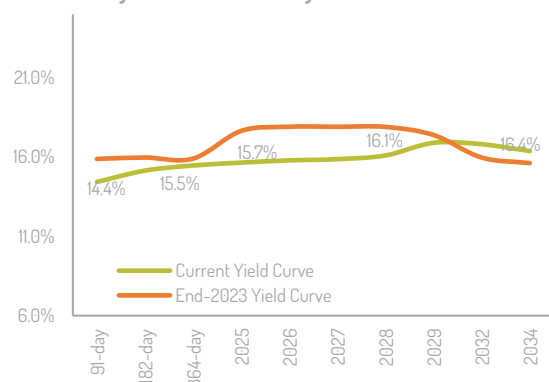
	Upcoming Maturities* (Nov-2024)	Upcoming Target* (This Week)	M/M Change in Maturities
91-day	40,431.10	24,000.00	-27.0%
182-day	53,824.11		78.6%
364-day	11,140.50		23.9%

*KES Million

Spot Exchange Rate (KES)			
	Current Mid-Rate	Last Month	M/M Change*
USDKES	129.00	128.95	-0.03%
GBPKES	166.37	172.83	3.88%
EURKES	140.39	143.69	2.35%

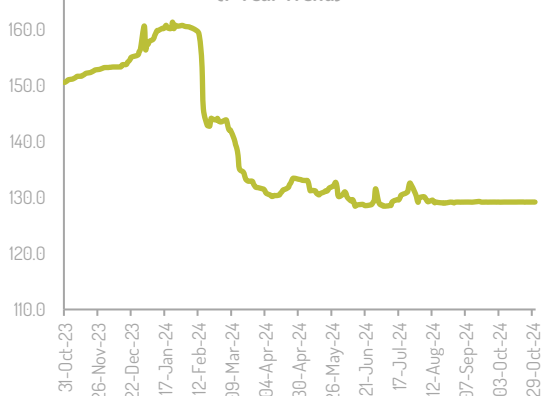
*Negative change means Depreciation while Positive change means Appreciation

Kenya: Indicative Treasury Yield Curve (KES)



Local Currency Bonds (KES)				Kenya Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Mar-25	10.25%	98.37	15.13%	Jun-24	6.88%	7.48%
May-25	11.67%	98.36	15.21%	May-27	7.00%	8.74%
Nov-26	11.28%	92.66	15.65%	Feb-28	7.25%	9.63%
Jul-27	12.97%	93.90	15.79%	May-32	8.00%	9.49%
Feb-28	11.25%	88.52	15.87%	Jan-34	6.30%	9.49%
Aug-28	12.69%	90.25	16.21%	Feb-48	8.25%	10.04%
Dec-28	12.50%	89.27	16.17%			
Feb-29	12.44%	88.90	16.10%			
May-31	10.00%	73.35	16.90%			
Nov-32	12.00%	79.21	16.81%			
Jan-34	12.86%	83.46	16.38%			
Jul-34	12.34%	81.11	16.26%			

Kenya: Local Currency Performance vs USD (1-Year Trend)



Source: Central Bank of Kenya, Bloomberg, IC Insights

Nigeria Market Commentary

Fixed Income

The Nigerian Treasury Bill (NTB) primary market was quiet in October 2024 as the Treasury executed only one transaction instead of the fortnightly issuances. We believe the Central Bank's intensified measures to tighten Naira liquidity amidst the inflation pressure have heightened the Treasury's funding cost, restraining the frequency of NTB issuances.

At the sole offer of NTBs in October 2024, investors submitted total bids worth NGN 273.3bn against the target size of NGN 81.9bn with the 364-day as the most preferred tenor for investors. The 364-day tenor accounted for 92.1% of total bids across the NTBs, continuing the lingering structure of investor demand. Despite the Central Bank's decisive hawkish posture suggesting upside risk to yields, investors continue to prefer the back-end of the NTB curve due to the relatively more attractive tenor premium.

Primary market yields were generally stable along the front-end of the curve as stop rates remained unchanged at 17.0% and 17.5% for the 91-day and the 182-day bills, respectively. The 364-day stop rate inched down by 14bps m/m to 19.86% as the sizable demand for this tenor enabled the yield compression by the Treasury.

Despite the upside restraint on primary yields, the secondary market yields reflected the impact of the CBN's squeeze in Naira liquidity as the Nigerian Inter-bank Treasury bill True Yield (NITTY) climbed an average 275bps across tenors.

Currency Market

The Naira depreciated by 8.0% m/m on the official (NAFEM) rate, rising above 1,670/USD while the parallel rate lost 2.5% m/m to 1,750/USD. Although this reflects the general seasonal depreciation pressure, we think the shaper depreciation on the official rate reflects a correction towards its market-clearing levels.

The Central Bank remains resolute in its ongoing FX market reforms with the planned introduction of an Electronic Foreign Exchange Matching System (EFEMS) on 1st Dec-2024 after a 2-week test run in Nov-2024. We expect the EFEMS to enhance transparency and regulatory oversight in the FX market and support price discovery in the Naira exchange rate.

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	17.00%	UNCH	1,000
182-day	17.50%	UNCH	750
364-day	19.86%	-14	762

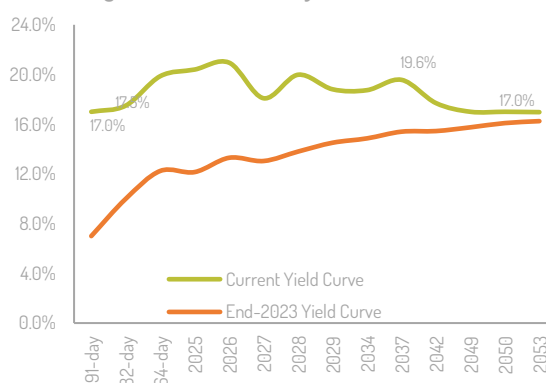
Selected Macroeconomic Indicators			
	Latest Available	Same Period Last Year	YoY Change (bps)
Inflation*	32.70%	26.72%	5.98%
GDP growth**	3.19%	2.51%	0.68%
MPR	27.25%	18.75%	8.50%

*September 2024 | **202024

Official Spot Exchange Rate (NGN)			
	Current Mid-Rate	Last Month	M/M Change
USDNGN	1644.73	1669.22	1.49%
GBPNGN	2121.53	2232.82	5.25%
EURNGN	1789.96	1858.66	3.84%

*Negative change means Depreciation while Positive change means Appreciation

Nigeria: Indicative Treasury Yield Curve (NGN)



Nigeria: Local Currency Performance vs USD (1-Year Trend)

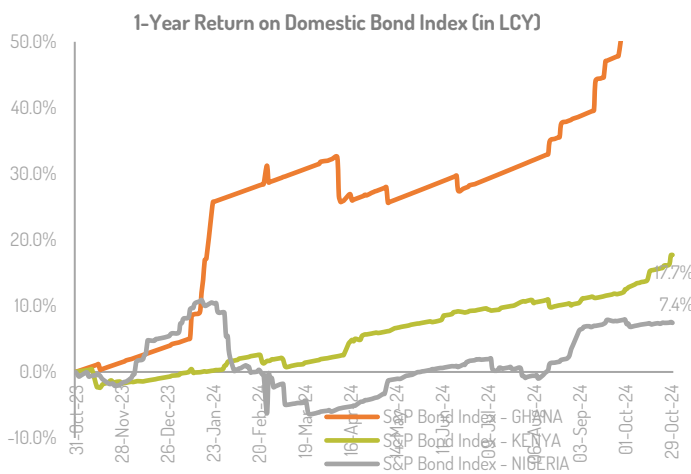


Local Currency Bonds (NGN)				Nigeria Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Apr-29	14.55%	83.30	20.40%	Nov-25	7.63%	7.88%
Feb-31	18.50%	91.53	20.95%	Nov-27	6.50%	8.61%
Apr-32	12.50%	77.54	18.09%	Sep-28	6.13%	9.13%
Feb-34	19.00%	95.84	19.98%	Mar-29	8.38%	9.36%
Jul-34	12.15%	70.70	18.81%	Feb-30	7.14%	9.51%
Mar-35	12.50%	71.82	18.74%	Jan-31	8.75%	9.64%
Mar-36	12.40%	72.27	18.26%	Feb-32	7.88%	9.85%
Apr-37	16.25%	92.69	17.72%	Sep-33	7.38%	10.03%
Jun-38	15.45%	80.53	19.57%	Feb-38	7.70%	10.33%
Jan-42	13.00%	74.81	17.70%	Nov-47	7.63%	10.33%
Apr-49	14.80%	87.29	17.00%	Jan-49	9.25%	10.29%
Mar-50	12.98%	76.70	17.00%	Mar-51	8.25%	10.52%
Jun-53	15.70%	92.50	16.97%			

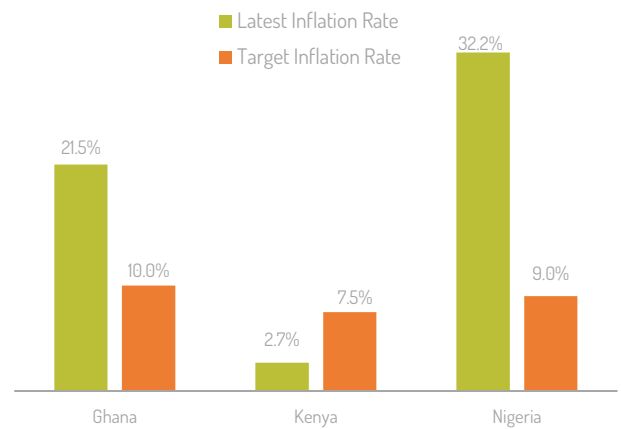
Source: FMDQ, Bloomberg, Central Bank of Nigeria, National Bureau of Statistics, IC Insights

Comparative Yields for Domestic Treasury Bonds in LCY and USD-adjusted Rates						
	Ghana		Kenya		Nigeria	
	GHS Yield	USD-adjusted Yield	KES Yield	USD-adjusted Yield	NGN Yield	USD-adjusted Yield
2027	25.89%	14.02%	15.79%	7.28%	18.09%	2.31%
2028	26.35%	14.44%	16.17%	7.63%	19.98%	3.94%
2029	25.36%	13.54%	16.10%	7.57%	18.81%	2.93%
2030	24.06%	12.37%	16.50%	7.94%	19.85%	3.83%
2031	23.08%	11.48%	16.10%	7.57%	19.36%	3.41%
2032	24.07%	12.38%	16.90%	8.31%	18.54%	2.69%
2033	25.00%	13.22%	16.54%	7.97%	19.19%	3.26%

Source: Bloomberg, IC Insights

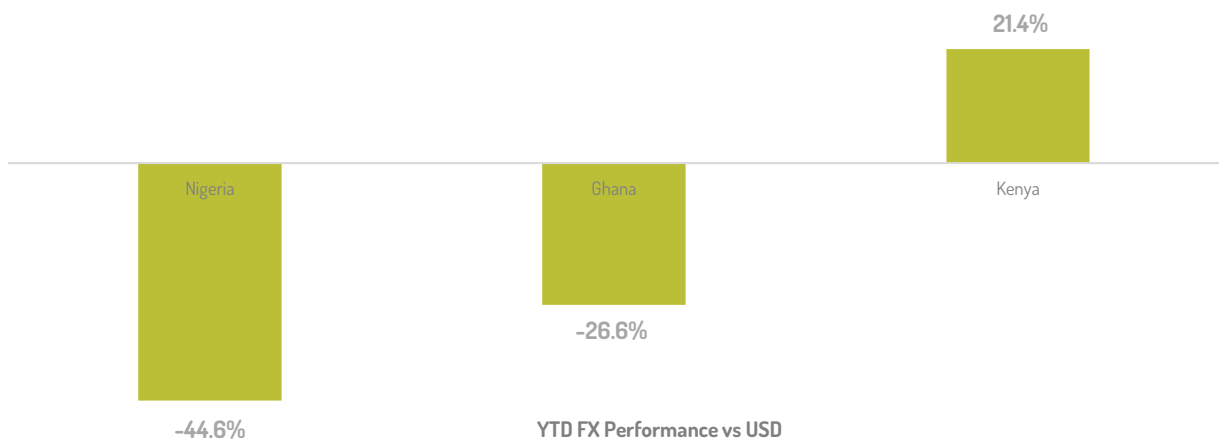


Source: S&P Global



Source: Country Statistical Office, Country Central Banks

Comparative Currency Performance Dashboard									
	USD	m/m Change	YTD Change	GBP	m/m Change	YTD Change	EUR	m/m Change	YTD Change
Ghana	16.29	-3.1%	-26.6%	21.02	0.6%	-27.5%	17.73	-0.8%	-25.6%
Kenya	129.00	0.0%	21.4%	166.37	3.9%	19.9%	140.39	2.4%	23.7%
Nigeria	1644.73	1.5%	-44.6%	2121.53	5.2%	-45.3%	1789.96	3.8%	-44.6%



Source: Bloomberg, IC Insights

DEFINITION OF KEY CONCEPTS

Amortized cost (book value)	Valuation of bonds using the face value (par value) plus the interest spread over the bond's life
Appreciation	A gain in the value of a currency against another currency
Basis Points (bps)	Used to describe percentage change in the value of financial instruments. 0.01% equals 1bps
Bid	The demand or buy-side in a transaction
Bid-to-Cover Ratio	The amount of demand for a security against the amount accepted. It indicates demand condition
BOG	Bank of Ghana
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
Coupon Rate	Interest rate paid on the face value of the bond purchased
Depreciation	A loss in the value of a currency against another currency
Exit bonds	New Treasury bonds created or restructured from the old bonds under the DDEP
Face Value (Par Value)	The amount repaid by the issuer of a bond when the bond matures
Fixed income security	A debt instrument that pays a fixed amount (interest) on a fixed (pre-determined) schedule until maturity
Liquidity	Volume of money supply or volume of trade executed in a particular bond. Use within a context
Mark-to-Market	Valuation of bonds using the current or prevailing market prices for the bonds
Maturity	When a security (bills/bonds) is due for repayment by the issuer to investors
Month-on-Month (m/m)	A change measured over a one-month period
Net-bid position	When the volume of securities demanded (bid) is greater than the volume offered for sale. Excess demand
Net-offered position	When the volume of securities offered for sale is greater than the volume demanded. Excess supply
Offer	The sell-side in a transaction
Old bonds	All pre-existing Treasury bonds not restructured under the domestic debt exchange programme (DDEP)
Subscription/Subscribe	The size of investor bids or demand at an auction
Tenor	The period from issuing a security (bills/bonds) to the repayment date (maturity)
Term-to-Maturity	The remaining life of a bond security until it matures. Can be measured in Days, Months, or Years
Treasury bills (T-bills)	Debt securities issued by the Government ("the Treasury") with maturity of 1-year or less
Treasury bonds & Notes	Debt securities issued by the Government with maturity of 2-year or longer
Uptake/Allotment	The amount of bid accepted in a bond or T-bills auction
Week-on-Week (w/w)	A change measured over a one-week period
Year-on-Year (y/y)	A change measured over a one-year (or 12-months) period
Year-to-Date (YTD)	The period from the last trading day of the previous year to the date of the report
Yield Curve	A graph which shows the interest rates for T-bills and bonds plotted against their respective maturities
Yield-to-Maturity (YTM)	The total return earned on a fixed income security (bills/bonds) if the security is held to maturity



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