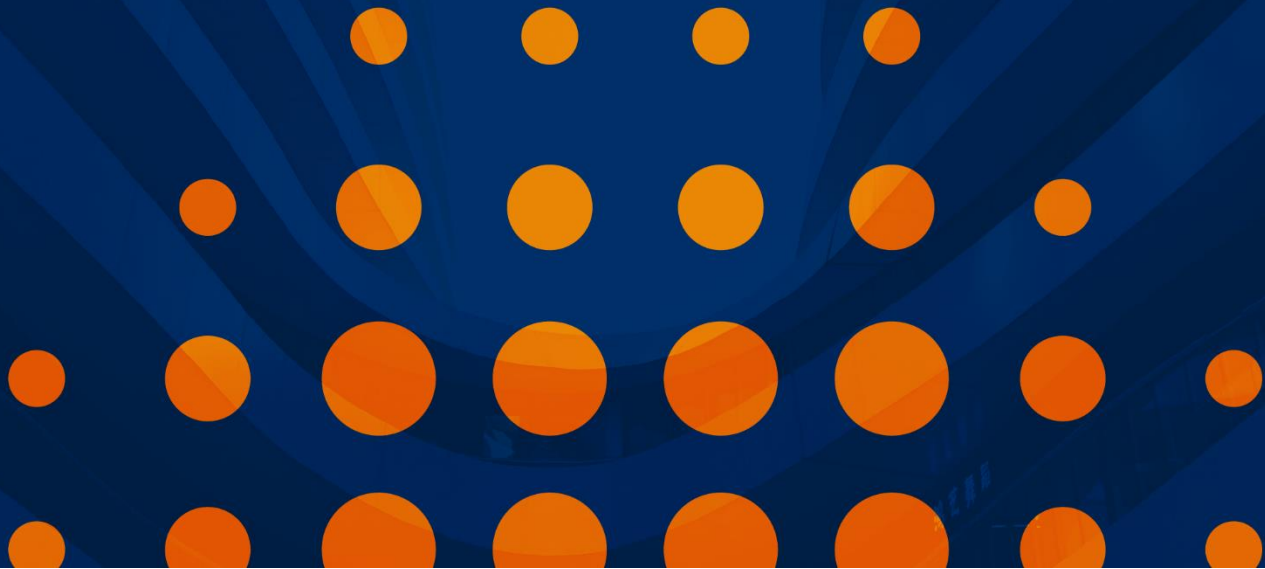




Market Insights | Pan-Africa | News & Analysis

IC FIXED INCOME & CURRENCY GUIDE

02 DECEMBER 2024



REPORT SUMMARY

COUNTRY	FIXED INCOME	CURRENCY
Ghana	<ul style="list-style-type: none"> Investor demand for Ghanaian Treasury bills increased by 27.2% m/m in November 2024 but remained insufficient to fully cover the high auction target for the month under review. Although the price play currently favours the T-bills against the BOG bills and has successfully stimulated demand for the former, the heightened refinancing obligation in November 2024 sustained the financing gap in the past month. Unsurprisingly, yields remained on the uptrend in November, averaging 90bps across the T-bills with renewed near-term inflation uncertainty and persistent Treasury borrowing pressure as the main drivers. On the bond secondary market, we are in the process of developing and back-testing our in-house local currency Ghana government bond index (the "IC-GBI). We expect to commence reporting on the index in 1Q2025. In the past month, we observed renewed risk-off as investors adopted the wait-and-see approach ahead of Ghana's December elections. 	<ul style="list-style-type: none"> The Ghanaian Cedi roared back in November 2024, appreciating by 6.6% m/m (-21.75% YTD) against the US Dollar despite the renewed global strengthening of the greenback on "Trump trade" and geopolitics. The Cedi's rare purple patch was anchored on the Bank of Ghana's intensified daily FX sales (total: USD 909.3mn), which improved the FX liquidity, mostly cleared the backlog of FX demand, eased market apprehension and tamed the Cedi bears. While the BOG interventions continue ahead of the December elections and sustains the appreciation tailwind, we foresee a moderation in the Central Bank support as the USDGHS inches closer to the 15.0/USD handle.
Kenya	<ul style="list-style-type: none"> Investor demand for Kenyan Treasury bills remained relentless in November 2024 while the Treasury capitalized on the strong demand to re-profile its short-term debt in favour of the relatively longer 182-day and 364-day tenors. The downward momentum in yields intensified in November 2024, averaging 250bps decline across the T-bill curve against the backdrop of the robust demand for T-bills. In view of the prevailing strong appetite for T-bills amidst a well-contained inflation risk, we expect continued decline in yields in December 2024 	<ul style="list-style-type: none"> The impressive stability of the Kenyan Shilling continued in November 2024, albeit softening slightly by 0.4% m/m (+20.7% YTD) against the US Dollar. Domestic conditions continue to support KES stability with forex reserves rising to USD 9.0bn (4.6-months of import cover) at end-November. We maintain our optimism on the near-term KES stability with the strong forex buffers providing reliable cushion against unexpected advance in the US Dollar.
Nigeria	<ul style="list-style-type: none"> Similar to the prior month, the Nigerian Treasury executed only one primary market trade for T-bills in November 2024 as inflation concerns and hawkish monetary policy continued to exert upward pressure on yields despite favourable demand conditions. Notwithstanding the generally strong demand, yields went up across the T-bill curve for the first time in 4-months, largely reflecting investor concerns about elevated inflation risk. We believe the attractive tenor premium on the 364-day bill will continue to attract investor interest amidst the yield-hunting to minimize the negative real yields. 	<ul style="list-style-type: none"> The Naira nursed losses against the US Dollar in Nov-2024 (-2.3% m/m) as inflation remained on an uptrend amidst elevated seasonal FX demand. The CBN softened its stance on the use of FX deposits, permitting banks to trade the uninvested FX deposits of clients, provided that the funds will be made available to clients upon request. We believe the new CBN guideline to banks on the use of FX deposit has the potential to support FX flows to the market through the seasonal spike in demand. We however view the ongoing FX market reforms and tighter policy stance as more credible support for price discovery and Naira stability.

Ghana Market Commentary

Fixed Income

Investor demand for Ghanaian Treasury bills increased by 27.2% m/m in November 2024 but remained insufficient to fully cover the high auction target for the month under review. Although the price play currently favours the T-bills against the BOG bills and has successfully stimulated demand for the former, the heightened refinancing obligation in November 2024 sustained the financing gap in the past month.

Investors pushed through total bids worth GHS 21.5bn (vs GHS 16.9bn bids in the prior month) but fell short of the Treasury’s gross target of GHS 22.8bn (+22.6% m/m). The Treasury allotted all bids to exceed the refinancing obligation by 8.3% but fell short of target by 5.5% with sustained risk of uncovered auction in December as refinancing obligation jumps to GHS 26.1bn (+31.4% m/m).

Unsurprisingly, yields remained on the uptrend in November, averaging 90bps across the T-bills with renewed near-term inflation uncertainty and persistent Treasury borrowing pressure as the main drivers. The 91-day yield climbed the steepest (+100bps) to 27.2%, the 182-day (28.0%) and the 364-day yields (29.8%) also gained 70bps and 85bps, respectively. For investors with higher preference for liquidity and fair return, we tip the 182-day tenor as a balance as the 364-day yield does not offer adequate cushion against its duration risk.

On the bond secondary market, we are in the process of developing our in-house local currency government bond index (the “IC-GBI) and we expect to commence reporting on the index in 1Q2025 after back-testing the index. In the past month, we observed renewed risk-off as investors adopted the wait-and-see approach ahead of Ghana’s December elections.

Currency Market

The Ghanaian Cedi roared back in November 2024, appreciating by 6.6% m/m (-21.75% YTD) against the US Dollar despite the renewed global strengthening of the greenback on “Trump trade” and geopolitics. The Cedi’s rare purple patch was anchored on the Bank of Ghana’s intensified daily FX sales (total: USD 909.3mn) which improved the FX liquidity, mostly cleared the backlog of FX demand, eased market apprehension and tamed the Cedi bears.

While the BOG interventions continue ahead of the December elections and sustains the appreciation tailwind, we foresee a moderation in the Central Bank support as the USDGHS inches closer to the 15.0/USD handle.

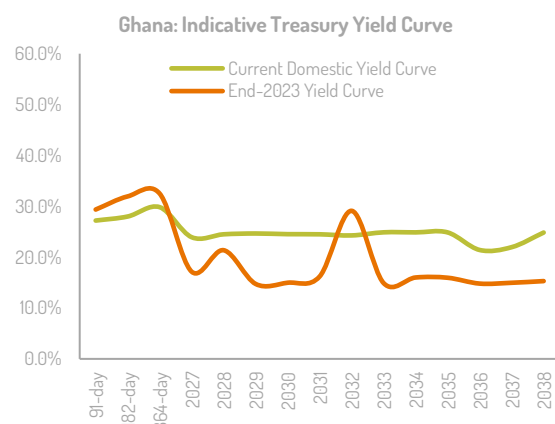
	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	27.19%	100	-217
182-day	27.99%	70	-396
364-day	29.82%	85	-267

	Upcoming Maturities* (Dec-2024)	Upcoming Target* (This week)	M/M Change in Maturities
91-day	16,178.66	6,098.00	17.0%
182-day	4,455.96		31.3%
364-day	5,443.37		106.8%

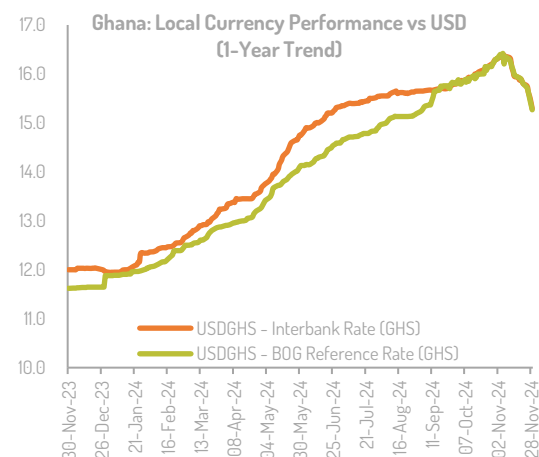
*GHS Million

Spot Exchange Rate (GHS)			
	Current Mid-Rate	Last Month	M/M Change*
USDGHS	15.29	16.29	6.57%
GBP/USD	19.48	21.02	7.91%
EUR/USD	16.18	17.73	9.60%

*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%	73.84	23.92%	DISCO BOND		
Feb-28	8.50%	65.10	24.49%	Jul-29	5.00%	8.35%
Feb-29	8.65%	58.66	24.65%	Jul-35	5.00%	9.96%
Feb-30	8.80%	54.18	24.52%	PAR BOND		
Feb-31	8.95%	50.66	24.49%	Jan-37	1.50%	9.91%
Feb-32	9.10%	48.40	24.27%	DOWN PAYMENT BOND		
Feb-33	9.25%	45.18	24.88%	Jul-26	Zero-coupon	4.20%
Feb-34	9.40%	43.75	24.87%	PAST DUE INTEREST (PDI) BOND		
Feb-35	9.55%	42.76	24.86%	Jan-30	Zero-coupon	4.71%
Feb-36	9.70%	49.71	21.41%			
Feb-37	9.85%	47.95	21.96%			
Feb-38	10.00%	41.53	24.84%			



Kenya Market Commentary

Fixed Income

Investor demand for Kenyan Treasury bills remained relentless in November 2024 while the Treasury capitalized on the strong demand to re-profile its short-term debt in favour of the relatively longer 182-day and 364-day tenors.

Total bids tendered across the 91-day to the 364-day tenors increased by 13.5% m/m to KES 333.3bn (USD 2.6bn) with the 364-day bill attracting the highest bids (+26.5% m/m) followed by the 182-day tenor (+3.7%). We believe the high preference for the relatively longer 182-day and 364-day tenors reflects the ongoing portfolio adjustment to minimize the re-investment risk occasioned by the declining yields across the curve. The Treasury accepted KES 171.3bn (USD 1.3bn), representing 51.4% of total demand for T-bills with the unmet demand sustaining the likelihood of continued decline in yields in the weeks ahead.

The downward momentum in yields intensified in November 2024, averaging 250bps decline across the T-bill curve against the backdrop of the robust demand for T-bills. The 91-day yield shed 240bps m/m to 12.0%, the 182-day nosedived by 290bps to 12.2% while the 364-day yield trimmed 220bps to close the month at 13.29%.

We estimate the upcoming T-bill maturities in December 2024 at KES 101.1bn (USD 781.35mn), representing a 4.1% m/m decline in the refinancing obligation. Against the backdrop of the prevailing strong appetite for T-bills amidst a well-contained inflation risk and slightly lower refinancing pressure, we expect continued decline in yields in December 2024. We also view the IMF programme-related inflow and the Supreme Court's favourable ruling on Finance Act 2023 in early November as additional tailwind for lower yields.

Currency Market

The impressive stability of the Kenyan Shilling continued in November 2024, albeit softening slightly by 0.4% m/m (+20.7% YTD) against the US Dollar. Domestic conditions continue to support KES stability with forex reserves rising to USD 9.0bn (4.6-months of import cover) at end-November, significantly above the statutory minimum of 4.0-months cover. We believe the strong domestic anchor supported the KES against the renewed post-US election strengthening of the US Dollar. We maintain our optimism on the near-term KES stability with the strong forex buffers providing reliable cushion against unexpected advance in the US Dollar.

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	12.03%	-240	-385
182-day	12.21%	-294	-376
364-day	13.29%	-217	-261

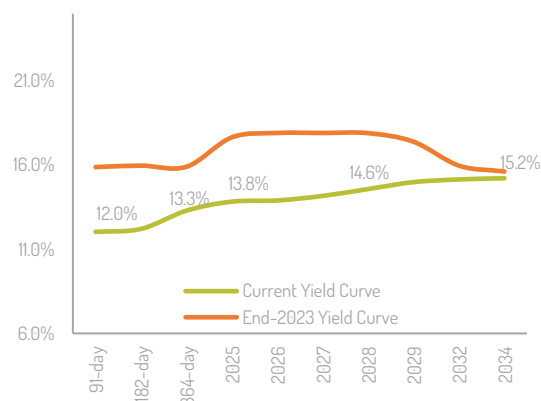
	Upcoming Maturities* (Dec-2024)	Upcoming Target* (This Week)	M/M Change in Maturities
91-day	64,001.21	24,000.00	58.3%
182-day	30,242.04		-43.8%
364-day	6,854.63		-38.5%

*KES Million

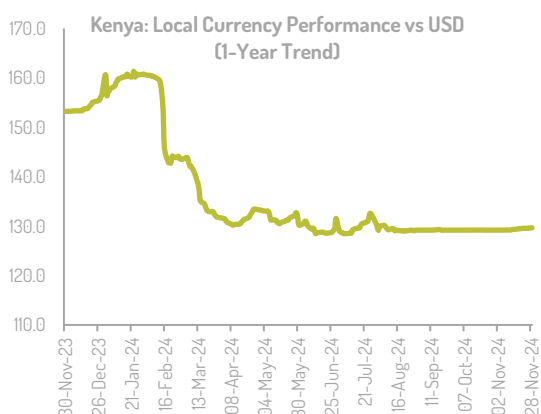
Spot Exchange Rate (KES)			
	Current Mid-Rate	Last Month	M/M Change*
USDKES	129.70	129.00	-0.54%
GBPKES	164.81	166.37	0.94%
EURKES	137.25	140.39	2.29%

*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%			



Source: Central Bank of Kenya, Bloomberg, IC Insights

Nigeria Market Commentary

Fixed Income

Similar to the prior month, the Nigerian Treasury executed only one primary market trade for T-bills in November 2024 as inflation concerns and hawkish monetary policy continued to exert upward pressure on yields despite favourable demand conditions.

Investors submitted total bids worth NGN 1.2trn (USD 703.8mn) across the T-bill curve, representing more than 4-fold increase in total bids with the 364-day tenor remaining the sweetest spot for the market. The Treasury allotted NGN 693.0mn (USD 414.3mn) across the bids submitted with the 364-day tenor receiving 92.4% of the total allotment. Our review of the auction outcome showed that the uptake for the 364-day tenor was more than enough to cover the offer size of NGN 610.8mn, underpinned by investors' preference for this tenor.

Despite the generally strong demand, yields went up across the T-bill curve for the first time in 4-months, largely reflecting investor concerns about elevated inflation risk as annual inflation continued its general uptrend to 33.9% in October 2024. The 91-day and the 182-day stop rates rose by 100bps each to 18.0% and 18.5%, respectively while the 364-day stop rate surged 360bps m/m to 23.5%. We believe the attractive tenor premium on the 364-day bill will continue to attract investor interest amidst the yield-hunting to minimize the negative real yields.

Currency Market

The Naira nursed losses against the US Dollar in Nov-2024 (-2.3% m/m) as inflation remained on an uptrend amidst elevated seasonal FX demand. The CBN softened its stance on the use of FX deposits, permitting banks to trade the uninvested FX deposits of clients, provided that the funds will be made available to clients upon request.

We believe the new CBN guideline to banks on the use of FX deposit has the potential to support FX flows to the market through the seasonal spike in demand. We however view the ongoing FX market reforms and tighter policy stance as more credible support price discovery and Naira stability.

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	18.00%	100	1,100
182-day	18.50%	100	850
364-day	23.50%	364	1,126

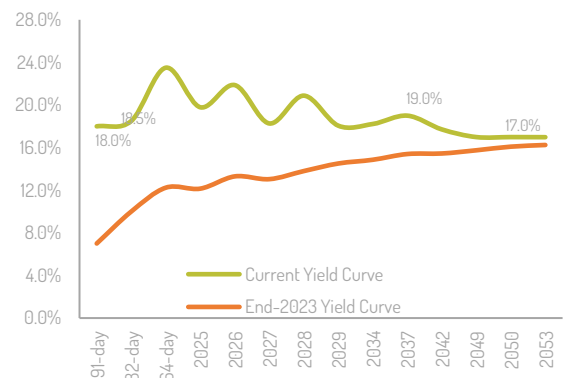
Selected Macroeconomic Indicators			
	Latest Available	Same Period Last Year	YoY Change (bps)
Inflation*	33.88%	27.33%	6.55%
GDP growth**	3.46%	2.54%	0.92%
MPR	27.50%	18.75%	8.75%

*October 2024 | **3Q2024

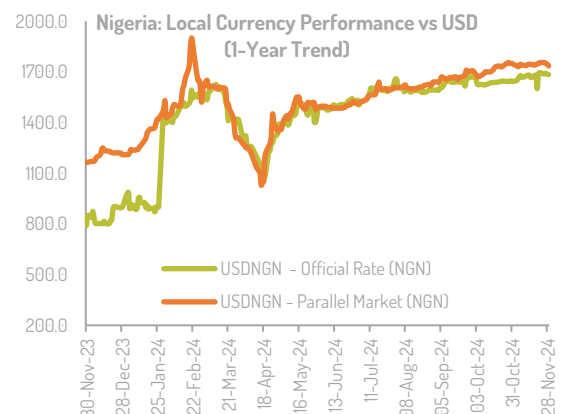
Official Spot Exchange Rate (NGN)			
	Current Mid-Rate	Last 8Month	M/M Change
USDNGN	1683.48	1644.73	-2.30%
GBPNGN	2143.74	2121.53	-1.04%
EURNGN	1780.62	1789.96	0.52%

*Negative change means Depreciation while Positive change means Appreciation

Nigeria: Indicative Treasury Yield Curve (NGN)



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

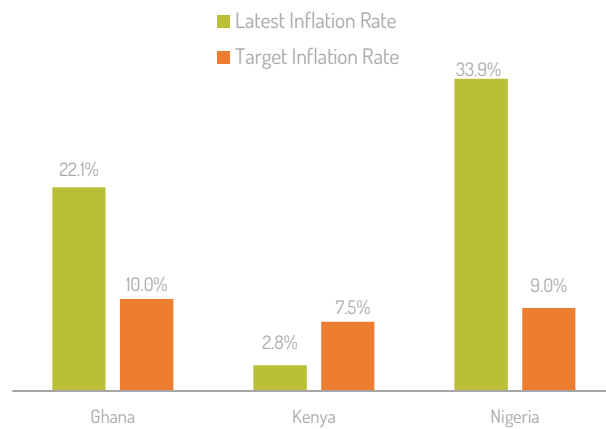
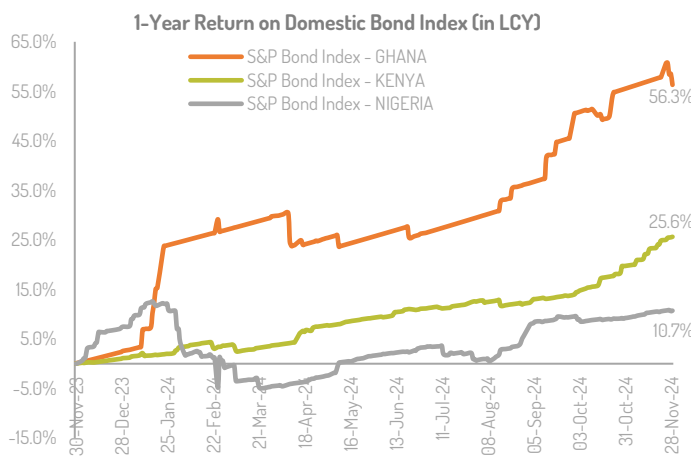


Local Currency Bonds (NGN)				Nigeria Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Apr-29	14.55%	83.30	20.40%	Nov-25	7.63%	7.88%
Feb-31	18.50%	91.53	20.95%	Nov-27	6.50%	8.61%
Apr-32	12.50%	77.54	18.09%	Sep-28	6.13%	9.13%
Feb-34	19.00%	95.84	19.98%	Mar-29	8.38%	9.36%
Jul-34	12.15%	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

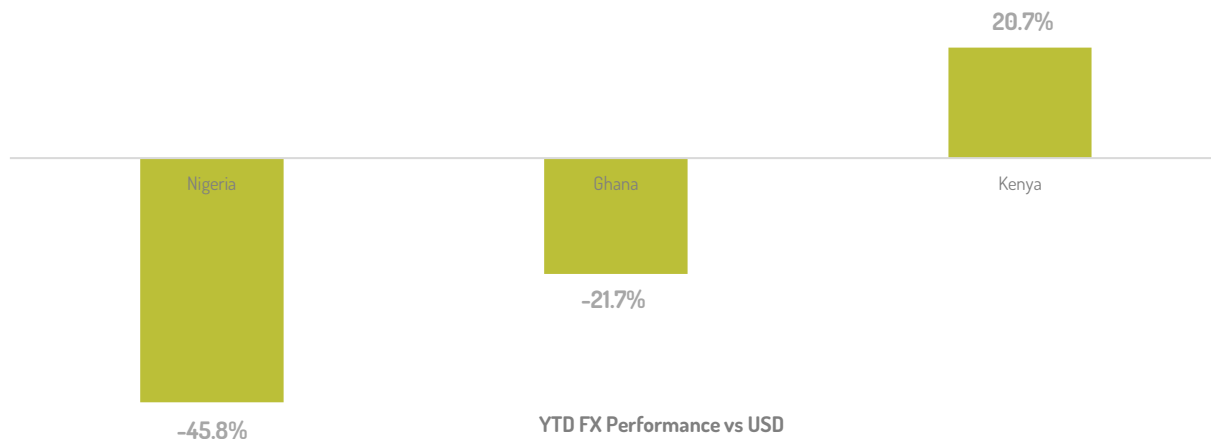
Comparative Yields for Domestic Treasury Bonds in LCY and USD-adjusted Rates						
	Ghana		Kenya		Nigeria	
	GHS Yield	USD-adjusted Yield	KES Yield	USD-adjusted Yield	NGN Yield	USD-adjusted Yield
2027	23.92%	8.82%	13.90%	4.82%	18.27%	3.94%
2028	24.49%	9.32%	14.51%	5.38%	20.88%	6.23%
2029	24.65%	9.46%	14.58%	5.44%	18.06%	3.75%
2030	24.52%	9.35%	14.79%	5.63%	20.05%	5.50%
2031	24.49%	9.32%	14.58%	5.44%	19.55%	5.06%
2032	24.27%	9.13%	14.99%	5.82%	18.26%	3.93%
2033	24.88%	9.67%	15.21%	6.02%	18.53%	4.17%

Source: Bloomberg, IC Insights



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	15.29	6.6%	-21.7%	19.48	7.9%	-21.8%	16.18	9.6%	-18.5%
Kenya	129.70	-0.5%	20.7%	164.81	0.9%	21.1%	137.25	2.3%	26.6%
Nigeria	1683.48	-2.3%	-45.8%	2143.74	-1.0%	-45.9%	1780.62	0.5%	-44.3%



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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