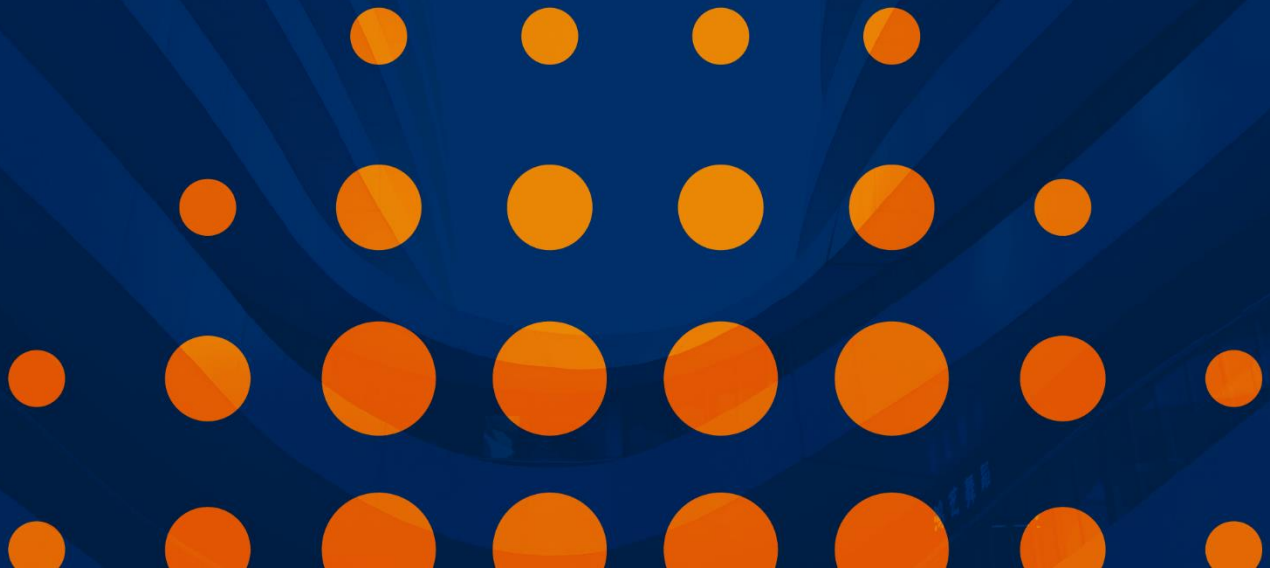




Market Insights | Pan-Africa | News & Analysis

IC FIXED INCOME & CURRENCY GUIDE

02 JANUARY 2025



REPORT SUMMARY

COUNTRY	FIXED INCOME	CURRENCY
Ghana	<ul style="list-style-type: none"> Demand for Ghanaian T-bills strengthened for the third consecutive month in December 2024 with investor appetite strengthening for the 91-day and the 182-day tenors amidst the yield upturn. However, the prevailing narrative of high auction targets persisted, with resultant uncovered auctions in the just-ended month. Yields went up across the T-bill curve for the fourth consecutive month, albeit at a slower pace with indications of approaching peak levels. In 1Q2025, we estimate upcoming T-bill maturities at GHS 76.8bn, requiring an average weekly bid of over GHS 5.9bn to match, potentially sustaining elevated yields in early 2025. We peg the January 2025 T-bill maturities at GHS 20.0bn with the 91-day bill accounting for two-thirds of the estimated maturities, underscoring the Treasury's funding pressure in early 2025. 	<ul style="list-style-type: none"> The Ghanaian Cedi extended its recent appreciation into the second straight month, appreciating by 4.0% m/m (FY2024: -18.6%) against the US Dollar in December 2024 as the Bank of Ghana sold USD 659.4mn at its daily FX FWDs during the first 3-weeks. However, the appreciation trend peaked in mid-December as the interbank USDGHS bottomed-out at 14.7/USD while the BOG stopped its daily FX sales since 20th December 2024. As we commence 1Q2025, we foresee a steady return of FX demand in line with seasonal trend while the authorities settle first coupon due on the restructured Eurobonds in Jan-2025 financed with IMF inflow in Dec-2024.
Kenya	<ul style="list-style-type: none"> Demand conditions weakened in December 2024, ostensibly reverting to trend, after the prior month's surge amidst the ongoing downturn in Treasury yields. We think investors are increasingly rebalancing their fixed income portfolios in favour of Treasury bonds to mitigate the re-investment risk emanating from the declining yields on T-bills. Yields fell sharply, averaging -207bps across the T-bill curve, with the 75bps cut in the policy rate to 11.25% adding additional drag amidst the low inflation expectation and favourable FX conditions. 	<ul style="list-style-type: none"> The Kenya Shilling enjoyed a slight appreciation of 0.3% m/m against the US Dollar in December 2024 despite the FED's less dovish signal for 2025, which supported the US Dollar against global currencies. The KES is firmly anchored on strong FX reserves at USD 9.2bn (4.7 months cover) and attractive real yields at an average of 7.4%, which continues to support market confidence and investor appetite for KES-denominated assets. We maintain our optimistic near-term view on the USDKES pair on account of the strong fundamentals – low CPI inflation, attractive real yields, and robust forex reserve cover. However, a stronger-than-expected USD remains a key risk.
Nigeria	<ul style="list-style-type: none"> Primary market activity improved in the Nigerian Treasury bills' space as the Treasury executed two separate auctions in the first two weeks of the month to avoid the holiday-induced lull during the second half of the month. Yields were mostly stable with a downside bias at the back-end of the T-bill curve despite sustained rise in annual CPI inflation. Despite the negative real interest rates for resident investors, we view the 41.0% devaluation of the USDNGN FX rate in 2024 as adequate compensation for non-resident entry in view of the 1-year forward rate which suggests a likelihood of 16.1% depreciation. 	<ul style="list-style-type: none"> The Naira appreciated strongly in December 2024, aided by the ongoing FX market reforms which went a notch higher with the full rollout of an Electronic Foreign Exchange Matching System – Bloomberg BMATCH. Expectedly, the CBN also resumed weekly FX sale to Bureau De Change (BDC) operators, allowing a cap of USD 25,000 per BDC from 19th Dec-2024 to 30th Jan-2025. This supported the Naira to a 9.0% m/m gain vs the US Dollar in December 2024. While we view the latest improvement in Nigeria's FX market structure as positive for medium term NGN stability, the sustained uptrend in inflation remains a near-term risk. We thus expect the CBN to sustain its hawkish posture.

Ghana Market Commentary

Fixed Income

Demand for Ghanaian T-bills strengthened for the third consecutive month in December 2024 with investor appetite strengthening for the 91-day and the 182-day tenors amidst the yield upturn. However, the prevailing narrative of high auction targets persisted with resultant uncovered auctions in the just-ended month.

Total bids submitted were worth GHS 27.3bn, representing a 26.9% m/m rise in demand for the short-term securities with a sharp increase in bids at the first post-election T-bill auction. Despite the m/m increase in demand for T-bills which were fully accepted by the Treasury, we observed a 6.4% shortfall to target as the Treasury’s immediate funding needs remain elevated.

Yields went up across the T-bill curve for the fourth consecutive month, albeit at a slower pace with indications of approaching peak levels. The 91-day went up 84bps, the 182-day gained 69bps, and the 364-day yield nudged up 25bps.

Cumulatively, we estimated the total amount raised in FY2024 at GHS 241.5bn which exceeded the publicly advertised auction target of GHS 238.8bn, albeit with funding challenges in 2H2024.

In 1Q2025, we estimate upcoming T-bill maturities at GHS 76.8bn, requiring an average weekly bid of over GHS 5.9bn to match, potentially sustaining elevated yields in early 2025. We peg the January 2025 T-bill maturities at GHS 20.0bn with the 91-day bill accounting for two-thirds of the maturities, underscoring the Treasury’s funding pressure in early 2025.

Currency Market

The Ghanaian Cedi extended its recent appreciation into the second straight month, appreciating by 4.0% m/m (FY2024: -18.6%) against the US Dollar in December 2024 as the Bank of Ghana sold USD 659.4mn at its daily FX FWDs during the first 3-weeks. However, the appreciation trend peaked in mid-December as the interbank USDGHS bottomed-out at 14.7/USD while the BOG stopped its daily FX sales since 20th December 2024.

As we commence 1Q2025, we foresee a steady return of FX demand in line with seasonal trend while the authorities settle first coupon due on its restructured Eurobonds in Jan-2025 financed with IMF inflow in Dec-2024.

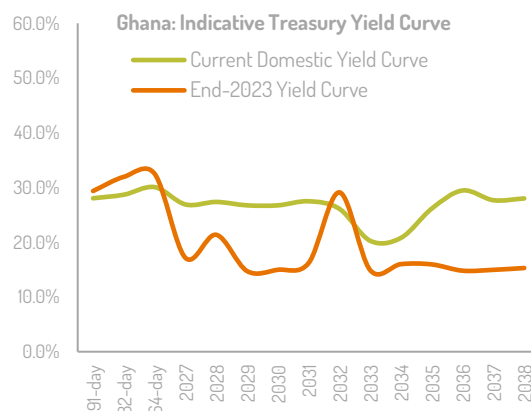
	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	28.04%	84	-132
182-day	28.68%	69	-326
364-day	30.07%	25	-242

	Upcoming Maturities* (Jan-2025)	Upcoming Target* (This week)	M/M Change in Maturities
91-day	13,508.43		-16.5%
182-day	3,311.43	5,980.0	-25.7%
364-day	3,211.60		-41.0%

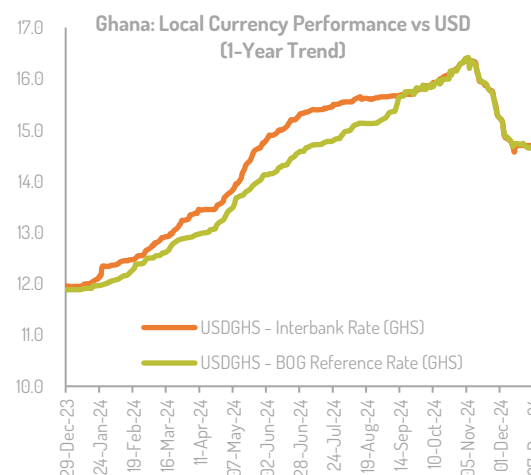
*GHS Million

Spot Exchange Rate (GHS)			
	Current Mid-Rate	Last Month	M/M Change*
USDGHS	14.70	15.29	4.00%
GBP/USD	18.40	19.48	5.87%
EUR/USD	15.22	16.18	6.28%

*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%	70.56	26.90%	DISCO BOND		
Feb-28	8.50%	61.15	27.36%	Jul-29	5.00%	8.87%
Feb-29	8.65%	55.51	26.74%	Jul-35	5.00%	10.18%
Feb-30	8.80%	50.47	26.74%	PAR BOND		
Feb-31	8.95%	45.33	27.49%	Jan-37	1.50%	10.23%
Feb-32	9.10%	45.02	26.10%	DOWN PAYMENT BOND		
Feb-33	9.25%	56.03	20.26%	Jul-26	Zero-coupon	4.81%
Feb-34	9.40%	53.13	20.80%	PAST DUE INTEREST (PDI) BOND		
Feb-35	9.55%	40.42	26.16%	Jan-30	Zero-coupon	5.181%
Feb-36	9.70%	34.55	29.46%			
Feb-37	9.85%	36.85	27.68%			
Feb-38	10.00%	36.20	28.00%			



Kenya Market Commentary

Fixed Income

Demand conditions weakened in December 2024, ostensibly reverting to trend, after the prior month's surge amidst the ongoing downturn in Treasury yields. We think investors are increasingly rebalancing their fixed income portfolios in favour of Treasury bonds to mitigate the re-investment risk emanating from the declining yields on T-bills.

Investors submitted total bids worth KES 127.5bn across the 91-day to 364-day tenors, representing a 61.7% m/m decline in total bids submitted at the T-bill auctions. The treasury accepted a total of KES 111.3bn across all tenors, representing a 35.0% m/m decline in total uptake but more than enough to cover the T-bill maturities in the just-ended month.

Yields fell sharply, averaging -207bps across the T-bill curve, with the 75bps cut in the policy rate to 11.25% adding additional drag amidst the low inflation expectation and favourable FX conditions. The 91-day and the 182-day yields trimmed 214bps and 219bps m/m respectively to 9.9% and 10.0%, with the 91-day yield hitting single digit for the first time since April 2023.

On the bond secondary market, the Treasury reopened three existing bonds – Jan-33 (coupon: 14.15%), Mar-38 (coupon: 13.2%), and Mar-34 (Coupon: 16.0%). Total amount tendered were worth KES 124.9bn, representing a 29.1% m/m increase in bids for the longer-dated tenors against similar target of KES 45.0bn. This confirms our perception of ongoing portfolio rebalancing in favour of longer tenors to mitigate the re-investment risk from declining T-bill yields. We expect investors to sustain this positioning in addition to yield pickup strategies as rates remain on the decline.

Currency Market

The Kenya Shilling enjoyed a slight appreciation of 0.3% m/m against the US Dollar in December 2024 despite the FED's less dovish signal for 2025, which supported the US Dollar against global currencies. The KES is firmly anchored on strong FX reserves at USD 9.2bn (4.7 months cover) and attractive real yields at an average of 7.4%, which continues to support market confidence and appetite for KES-denominated assets.

We maintain our optimistic near-term view on the USDKES pair on account of the strong fundamentals – low CPI inflation, attractive real yields, and robust forex reserve cover. However, stronger-than-expected USD remains a key risk.

Local Currency Bonds (KES)				Kenya Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Mar-25	10.25%	100.03	9.95%	Jun-24	6.88%	7.69%
May-25	11.67%	100.52	9.99%	May-27	7.00%	8.91%
Nov-26	11.28%	98.08	12.45%	Feb-28	7.25%	9.97%
Jul-27	12.97%	99.13	13.37%	May-32	8.00%	9.77%
Feb-28	11.25%	94.53	13.45%	Jan-34	6.30%	9.87%
Aug-28	12.69%	98.15	13.33%	Feb-48	8.25%	10.24%
Dec-28	12.50%	97.02	13.49%			
Feb-29	12.44%	96.37	13.61%			
May-31	10.00%	82.93	14.15%			
Nov-32	12.00%	89.65	14.22%			
Jan-34	12.86%	92.32	14.40%			
Jul-34	12.34%	89.22	14.45%			

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	9.89%	-214	-599
182-day	10.02%	-219	-595
364-day	11.41%	-189	-449

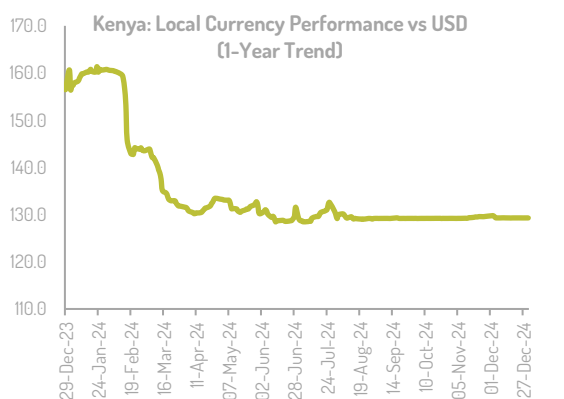
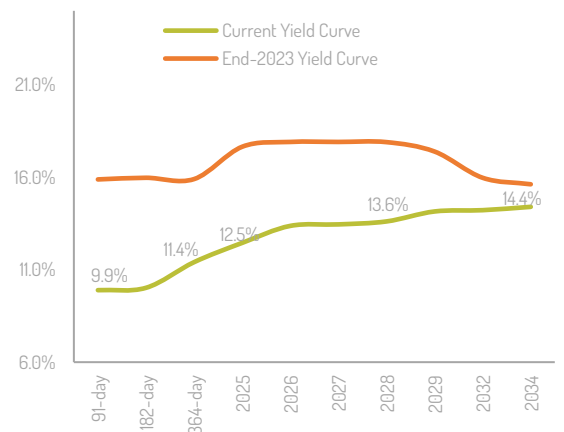
	Upcoming Maturities* (Jan-2025)	Upcoming Target* (This Week)	M/M Change in Maturities
91-day	44,961.66	24,000.00	-29.7%
182-day	26,168.65		-13.5%
364-day	9,874.35		44.1%

*KES Million

Spot Exchange Rate (KES)			
	Current Mid-Rate	Last Month	M/M Change*
USDKES	129.29	129.70	0.32%
GBPKES	161.81	164.81	1.85%
EURKES	133.88	137.25	2.52%

*Negative change means Depreciation while Positive change means Appreciation

Kenya: Indicative Treasury Yield Curve (KES)



Source: Central Bank of Kenya, Bloomberg, IC Insights

Nigeria Market Commentary

Fixed Income

Primary market activity improved in the Nigerian Treasury bills' space as the Treasury executed two separate auctions in the first two weeks of the month to avoid the holiday-induced lull during the second half of the month.

Market liquidity was strong with investors pushing through NGN 3.4tn across the T-bills, covering the offer size by 4.1x. The Treasury allotted only 37.0% of the submitted bids to raise NGN 1.3tn as domestic funding was complemented by the USD 2.2bn Eurobond issued in December 2024. Notwithstanding the low uptake relative to the bid size, the allotted amount exceeded the auction target by 50.4% as the Treasury currently enjoys domestic funding at negative real interest rates.

Yields were mostly stable with a downside bias at the back-end of the T-bill curve despite sustained rise in annual CPI inflation. We think the persistently buoyant NGN liquidity continues to prevent an upward adjustment in T-bill rates to align with the policy rate (27.5%) and other short-term rates. The 91-day and the 182-day yields remained flat at 18.0% and 18.5%, respectively whereas the 364-day yield shaved off 70bps to 22.8%. Despite the negative real interest rates for resident investors, we view the 41.0% devaluation of the USD/NGN FX rate in 2024 as adequate compensation for non-resident entry in view of the 1-year forward rate which suggests a likelihood of a further 16.1% depreciation.

Currency Market

The Naira appreciated strongly in December 2024, aided by the ongoing FX market reforms which went a notch higher with the full rollout of an Electronic Foreign Exchange Matching System – Bloomberg's BMATCH. Expectedly, the CBN also resumed weekly FX sale to Bureau De Change (BDC) operators, allowing a cap of USD 25,000 per BDC from 19th Dec-2024 to 30th Jan-2025. This supported the Naira to a 9.0% m/m gain vs the US Dollar in December 2024.

While we view the latest improvement in Nigeria's FX market structure as positive for medium term NGN stability, the sustained uptrend in inflation remains a near-term risk. We thus expect the CBN to sustain its hawkish posture.

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	18.00%	No CHNG	1,100
182-day	18.50%	No CHNG	850
364-day	22.80%	-70	1,056

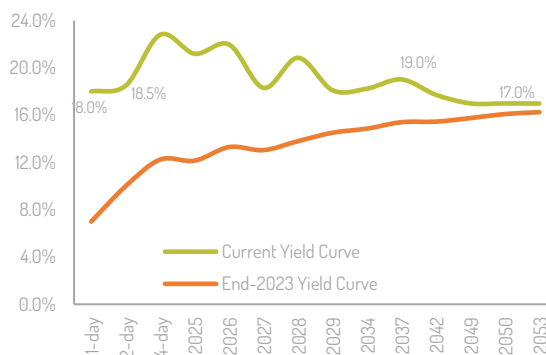
Selected Macroeconomic Indicators			
	Latest Available	Same Period Last Year	YoY Change (bps)
Inflation*	34.60%	28.20%	6.40%
GDP growth**	3.46%	2.54%	0.92%
MPR	27.50%	18.75%	8.75%

*October 2024 | **3Q2024

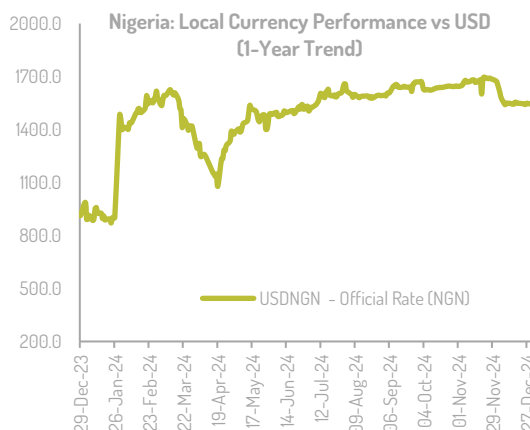
Official Spot Exchange Rate (NGN)			
	Current Mid-Rate	Last Month	M/M Change
USD/NGN	1544.08	1683.48	9.03%
GBP/NGN	1932.11	2143.74	10.95%
EUR/NGN	1597.59	1780.62	11.46%

*Negative change means Depreciation while Positive change means Appreciation

Nigeria: Indicative Treasury Yield Curve (NGN)



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

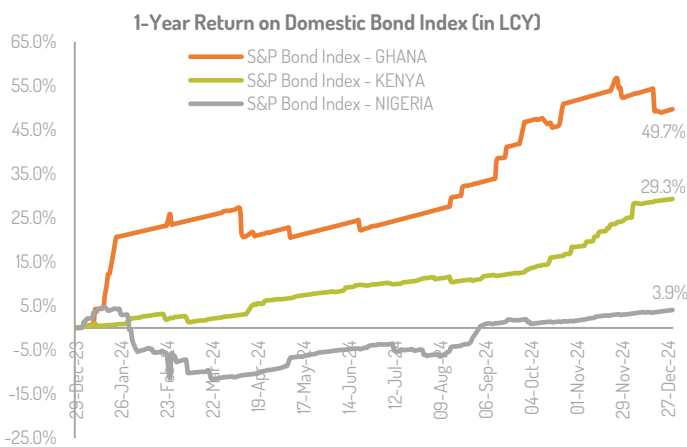


Local Currency Bonds (NGN)				Nigeria Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Apr-29	14.55%	81.71	21.19%	Nov-25	7.63%	7.99%
Feb-31	18.50%	88.49	21.97%	Nov-27	6.50%	8.47%
Apr-32	12.50%	77.03	18.30%	Sep-28	6.13%	9.07%
Feb-34	19.00%	92.46	20.85%	Mar-29	8.38%	9.17%
Jul-34	12.15%	73.39	18.10%	Feb-30	7.14%	9.46%
Mar-35	12.50%	73.72	18.24%	Jan-31	8.75%	9.54%
Mar-36	12.40%	71.57	18.48%	Feb-32	7.88%	9.83%
Apr-37	16.25%	86.66	19.08%	Sep-33	7.38%	9.85%
Jun-38	15.45%	82.84	19.02%	Feb-38	7.70%	10.25%
Jan-42	13.00%	74.81	17.72%	Nov-47	7.63%	10.32%
Apr-49	14.80%	87.29	16.99%	Jan-49	9.25%	10.30%
Mar-50	12.98%	76.70	16.99%	Mar-51	8.25%	10.51%
Jun-53	15.70%	92.50	16.98%			

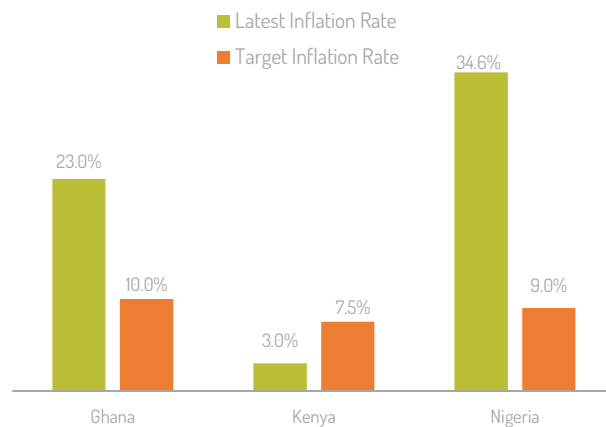
Source: FMDQ, Bloomberg, Central Bank of Nigeria, National Bureau of Statistics, IC Insights

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	26.90%	8.08%	13.37%	4.89%	18.30%	1.91%
2028	27.36%	8.47%	13.49%	5.01%	20.85%	4.11%
2029	26.74%	7.94%	13.61%	5.12%	18.10%	1.74%
2030	26.74%	7.94%	13.88%	5.37%	20.11%	3.47%
2031	27.49%	8.58%	13.61%	5.12%	19.55%	2.98%
2032	26.10%	7.40%	14.15%	5.62%	18.29%	1.90%
2033	20.26%	2.42%	14.34%	5.79%	18.56%	2.13%

Source: Bloomberg, IC Insights

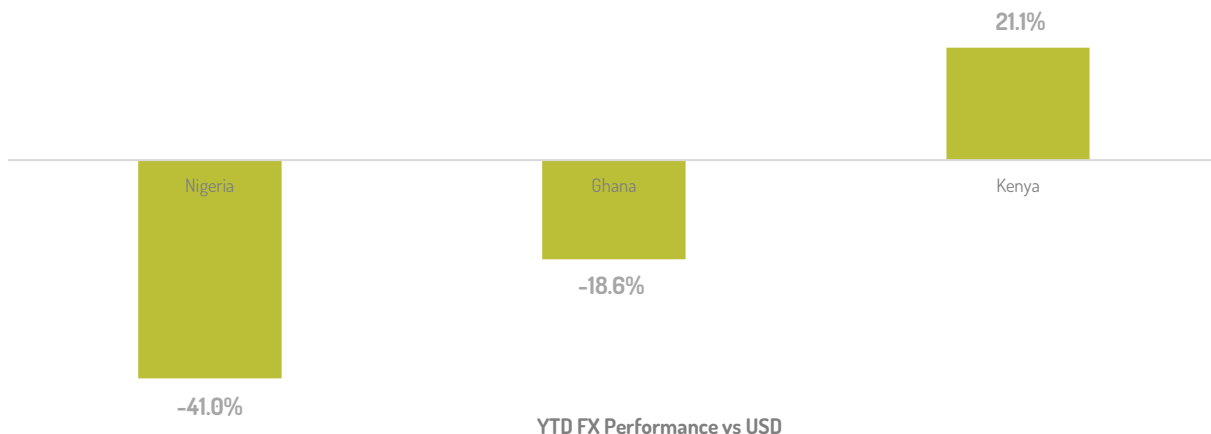


Source: S&P Global



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	14.70	4.0%	-18.6%	18.40	5.9%	-17.2%	15.22	6.3%	-13.3%
Kenya	129.29	0.3%	21.1%	161.81	1.9%	23.3%	133.88	2.5%	29.8%
Nigeria	1544.08	9.0%	-41.0%	1932.11	11.0%	-39.9%	1597.59	11.5%	-37.9%



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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