Market Insights | Pan-Africa | News & Analysis

IC FIXED INCOME & CURRENCY GUIDE

03 FEBRUARY 2025

REPORT SUMMARY

COUNTRY	FIXED INCOME	CURRENCY
Ghana	• The appetite for Ghanaian T-bills strengthened remarkably in January 2025, evoking sentiments of the early-year favourable demand conditions observed in 2024. However, this raises perception of strategic asset allocations with stronger demand for the 364-day tenor. We think this reflects renewed post-election confidence in the debt management outlook and strategic asset allocation to lock-in yields at 30.0% as investors become constructive on Ghana's macroeconomic outlook. • Ultimately, the Treasury accepted GHS 30.5bn, exceeding the target by GHS 8.6bn (+39.2%) and building sufficient cash buffer ahead of the February 2025 coupon payment on the DDEP bonds. Based on the demand condition observed in January 2025, we are cautiously optimistic of sufficient demand at this month's auctions with a downside risk for yields.	• The Ghanaian Cedi commenced the new year on the back foot as corporate demand steadily returns with the need to replenish depleted inventories from the just-ended festivities. Demand was mainly from the manufacturing and energy sectors. The Bank of Ghana unexpectedly returned to the market with 7-day FX Forward sales at a cumulative size of USD 449.0mn in the final 2-weeks to cap the depreciation pressure. Nevertheless, the Cedi lost 4.2% against the USD in January 2025. • Our near-term outlook on the GHS is cautious, reflecting the rising seasonal demand amidst sporadic FX sales by the BOG.
Kenya	• Investor demand for Kenyan Treasury bills softened for the second straight month in January 2025, contributing to a sharp slowdown in the pace of yield decline across the T-bill curve. • We think the Treasury's plan to stop the issuance of 364-day tenors seeks to reduce the share of short-term debt in the total debt portfolio. However, we believe a corresponding reduction in the weekly targets from the current KES 24.0bn will be required to achieve reduction in rollover risk. The authorities also plan to initiate local private placements for government securities, targeting specific segments of the market. We think excessive use of private placements could undermine investor confidence on the true state of the public debt and distort price discovery in the trading of KENGBs.	• The Kenyan shilling was impressively stable in January 2025, sustaining its good run from last year with the high domestic yields anchoring offshore appetite. Although a decline in trade volume in the first 3-weeks, ostensibly due to tighter FX supply, softened the KES by 0.2% against the USD, we observed a spike in FX trade in the subsequent days, erasing the mild losses by end January 2025. • In the month ahead, we expect the USDKES pair to remain rangebound with the 1-month forward rate quote at 129.6/USD.
Nigeria	• The Treasury was less active in the T-bill primary market in January 2025, executing only two auctions across the 91-day to 364-day tenors. Investor appetite weakened significantly for the 91-day and 182-day maturities, albeit remaining strong for the 364-day instrument, driving overall demand beyond the Treasury's target. • We believe investors are seeking to lock-in relatively high rates for the long-dated instrument amid a peak in yields and expectations of easing inflation in the months ahead.	• The Nigerian Naira began 2025 on a strong footing, extending the gains posted in December 2024 with a 2.9% gain against the US dollar in January 2025. The sustained Naira resilience reflects improved FX liquidity, supported by increased inflows from offshore investors and the CBN's FX market reforms, which has enhanced transparency and efficiency in the FX market. • We expect the Naira's stability to persist in the short-term, driven by increased oil production, expected to bolster FX reserves and enhance FX liquidity. However, Nigeria's external debt servicing obligations and potential volatility in global oil prices pose downside risk to the outlook.

Ghana Market Commentary

Fixed Income

The appetite for Ghanaian T-bills strengthened remarkably in January 2025, evoking sentiments of the early-year favourable demand conditions observed in 2024. However, this raises perception of strategic asset allocations with stronger demand for the 364-day tenor.

Investors pushed through total bids of GHS 31.2bn across the three maturities, representing a 14.4% m/m upsurge in demand and exceeding the January 2025 target by 42.7%. We observed a 25.0% decline in the gross target for the month, mainly due to a 23.2% m/m decline in T-bill maturities in the just-ended month. Notably, we observed a 260% surge in demand and a 249% increase in allocation for the 364-day tenor. We think this reflects renewed post-election confidence in the debt management outlook and strategic asset allocation to lock-in yields at 30.0% as investors become constructive on Ghana's macroeconomic outlook

Ultimately, the Treasury accepted GHS 30.5bn, exceeding the target by GHS 8.6bn (+39.2%) and building sufficient cash buffer ahead of the February 2025 coupon payment on the DDEP bonds.

Yields continued to trek north in January with an average increase of 40bps across the T-bill curve, but reflecting a further slowdown in the pace of uptick.

In February 2025, we estimate the upcoming T-bill maturities at GHS 28.1bn which shows a 40.5% m/m surge in refinancing obligation in the month ahead and requires an average weekly bid over GHS 7.0bn to fully cover maturities. Based on the demand condition observed in January 2025, we are cautiously optimistic of sufficient demand at this month's auctions with a downside risk for yields.

Currency Market

The Ghanaian Cedi commenced the new year on the back foot as corporate demand steadily returns with the need to replenish depleted inventories from the just-ended festivities. Demand was mainly from the manufacturing and energy sectors. The Bank of Ghana unexpectedly returned to the market with a 7-day FX Forward sale of USD 152.0mn on 22nd January to cap the depreciation pressure. Nevertheless, the Cedi lost 4.2% against the USD in January 2025.

Our near-term outlook on the GHS is cautious, reflecting the rising seasonal demand amidst dwindling FX supply although we expect ad hoc BOG FX sales.

Local Currency "General Category" Bonds (GHS)			
Maturity	Coupon	Price	Yield
Feb-27	8.35%	72.52	26.22%
Feb-28	8.50%	62.84	26.76%
Feb-29	8.65%	56.81	26.25%
Feb-30	8.80%	51.93	26.12%
Feb-31	8.95%	47.31	26.57%
Feb-32	9.10%	43.67	26.99%
Feb-33	9.25%	42.73	26.36%
Feb-34	9.40%	40.43	26.73%
Feb-35	9.55%	37.42	27.99%
Feb-36	9.70%	34.55	29.46%
Feb-37	9.85%	38.50	26.70%
Feb-38	10.00%	38.29	26.71%

Ghana Restructured Eurobonds (USD)		
Maturity	Coupon	Yield
DISCO BOND		
Jul-29	5.00%	8.14%
Jul-35	5.00%	9.72%
PAR BOND		
Jan-37	1.50%	9.91%
DOWN PAYMENT BOND		
Jul-26	Zero-coupon	4.80%
PAST DUE INTEREST (PDI) BOND		
Jan-30	Zero-coupon	5.1%

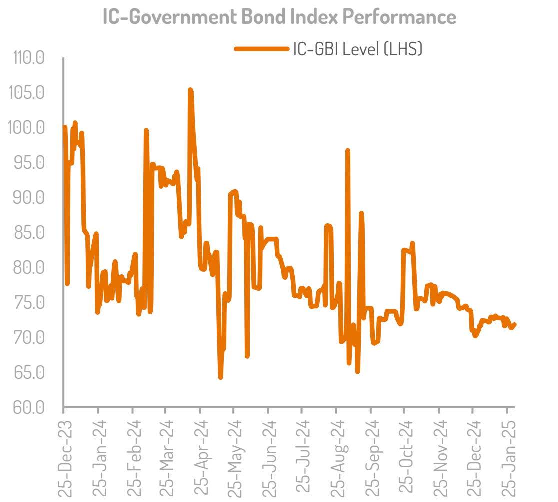
	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	28.52%	48	-84
182-day	29.07%	38	-288
364-day	30.41%	34	-208

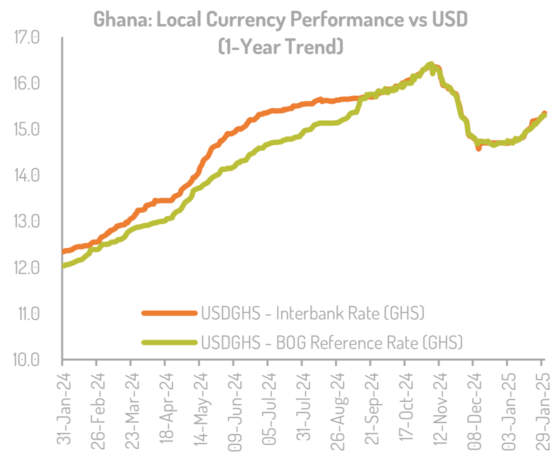
	Upcoming Maturities* (Feb-2025)	Upcoming Target* (This week)	M/M Change in Maturities
91-day	16,622.55	6,527.0	23.1%
182-day	4,123.63		24.5%
364-day	7,395.89		130.3%

*GHS Million

	Spot Exchange Rate (GHS)		
	Current Mid-Rate	Last Month	M/M Change*
USDGHS	15.35	14.70	-4.22%
GBPGHS	19.02	18.40	-3.26%
EURGHS	15.90	15.22	-4.25%

*Negative change means Depreciation while Positive change means Appreciation





Kenya Market Commentary

Fixed Income

Investor demand for Kenyan Treasury bills softened for the second straight month in January 2025, contributing to a sharp slowdown in the yield decline across the T-bill curve. Generally, we observed sustained appetite for relatively longer-dated tenors, which partly impacted demand for the T-bills amidst the yield downturn.

Total bids submitted across the three maturities were valued at KES 100.5bn, representing a 21.2% m/m decline but exceeding the gross target by 4.7%. The Treasury accepted KES 91.1bn, falling below the allotted amount for the prior month by 18.2% and the gross target by 5.1%. However, the accepted amount sufficiently exceeded the T-bill maturities for January 2025 by 12.4%, indicating a successful refinancing of T-bill maturities in the just-ended month.

The downshift in yields was more sluggish in January 2025, averaging 16bps decline across the T-bill curve with the 91-day yield shedding 37bps m/m while the 182-day yield was surprisingly stable with a 1bp uptick.

The National Treasury published the draft Medium-term Debt Management Strategy for 2025 to elicit stakeholder feedback in January. Among others, the Treasury intends to stop the issuance of 364-day tenor with the aim to reduce the variety of money market instruments to two. While we think this strategy seeks to reduce the share of short-term debt in the total debt portfolio, we believe a corresponding reduction in the weekly targets from the current KES 24.0bn will be required to achieve reduction in rollover risk. The authorities also plan to initiate local private placements for government securities, targeting specific segments of the market. We think excessive use of private placement could undermine investor confidence on the true state of the public debt and distort price discovery in the trading of government securities.

Currency Market

The Kenyan shilling was impressively stable in January 2025, sustaining its good run from last year with the high domestic yields anchoring offshore appetite. Although a decline in trade volume in the first 3-weeks, ostensibly due to tighter FX supply, softened the KES by 0.2% against the USD, we observed a spike in FX trade in the subsequent days, erasing the mild losses by end January 2025.

In the month ahead, we expect the USDKES pair to remain rangebound with the 1-month forward rate quote at 129.6/USD

Local Currency Bonds (KES)				Kenya Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Mar-25	10.25%	100.12	8.80%	Jun-24	6.88%	7.56%
May-25	11.67%	100.58	9.09%	May-27	7.00%	8.79%
Nov-26	11.28%	99.98	11.27%	Feb-28	7.25%	9.89%
Jul-27	12.97%	101.57	12.20%	May-32	8.00%	9.64%
Feb-28	11.25%	95.84	12.96%	Jan-34	6.30%	9.77%
Aug-28	12.69%	98.36	13.28%	Feb-48	8.25%	10.22%
Dec-28	12.50%	98.56	12.98%			
Feb-29	12.44%	98.11	13.05%			
May-31	10.00%	84.24	13.83%			
Nov-32	12.00%	90.76	13.98%			
Jan-34	12.86%	94.55	13.94%			
Jul-34	12.34%	91.79	13.92%			

Source: Central Bank of Kenya, Bloomberg, IC Insights

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	9.53%	-37	-636
182-day	10.03%	1	-594
364-day	11.29%	-12	-461

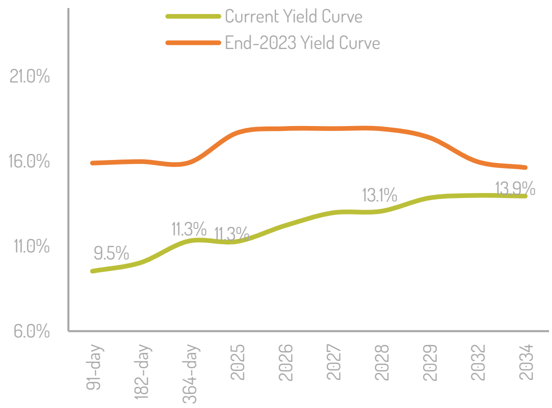
	Upcoming Maturities* (Feb-2025)	Upcoming Target* (This Week)	M/M Change in Maturities
91-day	35,109.40		-21.9%
182-day	42,156.71	24,000.00	61.1%
364-day	25,132.73		154.5%

*KES Million

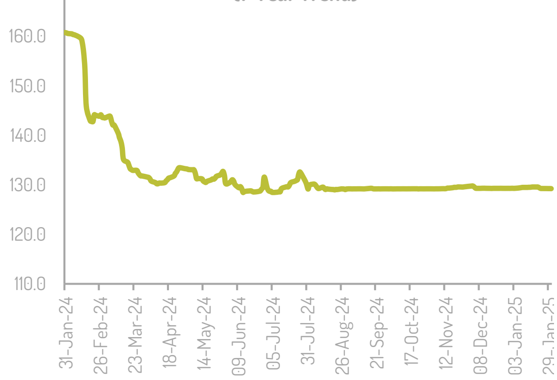
Spot Exchange Rate (KES)			
	Current Mid-Rate	Last Month	M/M Change*
USDKES	129.29	129.70	0.32%
GBPKES	161.81	164.81	1.85%
EURKES	133.88	137.25	2.52%

*Negative change means Depreciation while Positive change means Appreciation

Kenya: Indicative Treasury Yield Curve (KES)



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



Nigeria Market Commentary

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	18.00%	NO CHNG	11.00%
182-day	18.50%	NO CHNG	8.50%
364-day	21.80%	-100	9.56%

Fixed Income

The Treasury was less active in the T-bill primary market in January 2025, executing only two auctions across the 91-day to 364-day tenors. Investor appetite weakened significantly for the 91-day and 182-day maturities, albeit remaining strong for the 364-day instrument, driving overall demand beyond the Treasury's target. We believe investors are seeking to lock-in relatively high rates for the long-dated instrument amid a peak in yields and expectations of easing inflation in the months ahead.

Investors submitted total bids worth NGN 4.1trn (USD 2.6bn), slightly below the prior month's bids (-1.5%). However, the Treasury accepted only NGN 1.3trn (USD 828.3), culminating in a bid-to-cover ratio of 3.2x (vs 2.5x in December 2024). Our analysis showed 93.3% of total allotment for the 364-day paper, sustaining the strong investor preference for the long-dated instrument.

The yield curve was stable at the short-end due to the low investor demand for short-dated papers. Yields on the 91-day and 182-day maturities remained unchanged at 18.0% and 18.5%, respectively. However, the 364-day yield declined sharply by 110bps m/m to 21.8% on the back of stronger preference for longer maturities amid expectations of yields moderation. We anticipate the monetary policy committee will hold the policy rate at 27.5% in its upcoming meeting in February. We believe this will sustain the general stability on yields as investors expect a peak in inflation.

Selected Macroeconomic Indicators			
	Latest Available	Same Period Last Year	YoY Change (bps)
Inflation*	34.80%	28.92%	5.88%
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
USDNGN	1500.00	1544.08	2.94%
GBPNGN	1840.10	1932.11	5.00%
EURNGN	1538.47	1597.59	3.84%

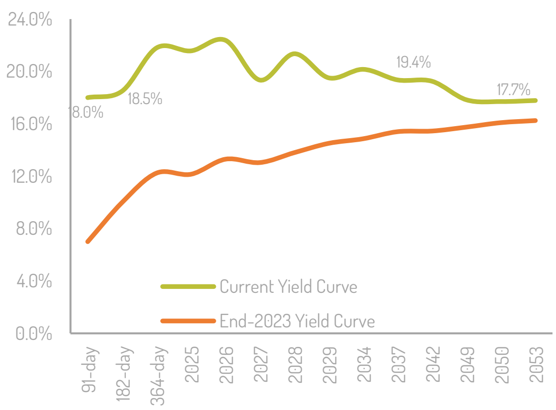
*Negative change means Depreciation while Positive change means Appreciation

Currency Market

The Nigerian Naira began 2025 on a strong footing, extending the gains posted in December 2024 with a 2.9% gain against the dollar in January 2025. This sustained Naira resilience reflects improved FX liquidity supported by increased inflows from offshore investors and the CBN's major FX market reforms, which has enhanced transparency and efficiency in the FX market.

We expect the Naira's stability to persist in the short-term, anchored by increased oil production, expected to bolster FX reserves and enhance FX liquidity. However, Nigeria's external debt servicing obligations and potential volatility in global oil prices pose downside risk to the outlook.

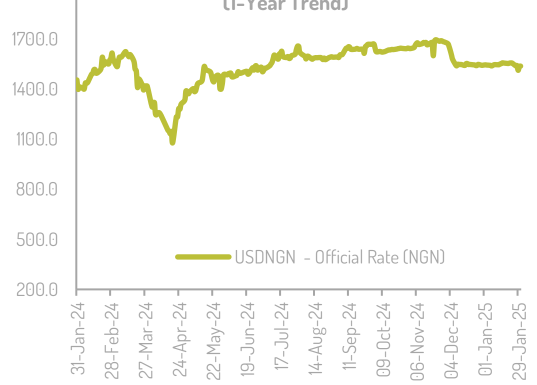
Nigeria: Indicative Teasury Yield Curve (NGN)



Local Currency Bonds (NGN)				Nigeria Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Apr-29	14.55%	81.04	21.57%	Nov-25	7.63%	6.92%
Feb-31	18.50%	87.40	22.38%	Nov-27	6.50%	8.05%
Apr-32	12.50%	73.85	19.34%	Sep-28	6.13%	8.63%
Feb-34	19.00%	90.69	21.35%	Mar-29	8.38%	8.93%
Jul-34	12.15%	68.73	19.51%	Feb-30	7.14%	9.13%
Mar-35	12.50%	67.35	20.16%	Jan-31	8.75%	9.21%
Mar-36	12.40%	66.62	19.96%	Feb-32	7.88%	9.49%
Apr-37	16.25%	86.12	19.21%	Sep-33	7.38%	9.64%
Jun-38	15.45%	81.49	19.35%	Feb-38	7.70%	10.05%
Jan-42	13.00%	68.95	19.25%	Nov-47	7.63%	10.12%
Apr-49	14.80%	83.20	17.83%	Jan-49	9.25%	10.13%
Mar-50	12.98%	73.64	17.70%	Mar-51	8.25%	10.30%
Jun-53	15.70%	88.33	17.78%			

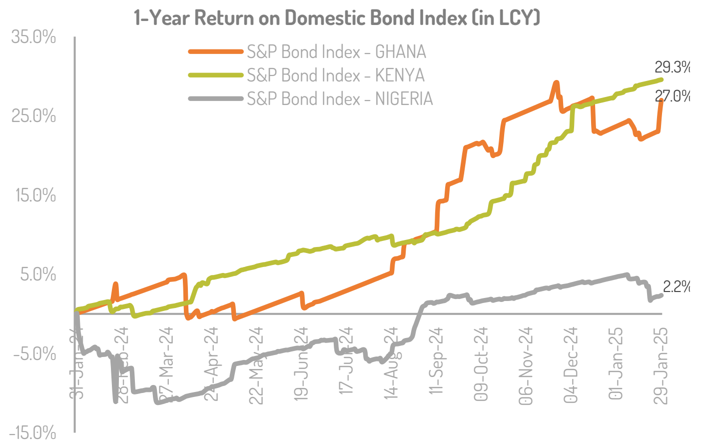
Source: FMDQ, Bloomberg, Central Bank of Nigeria, National Bureau of Statistics, IC Insights

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

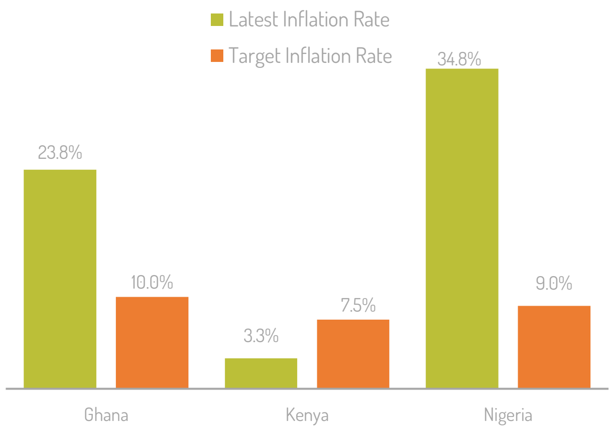


	Comparative Yields for Domestic Treasury Bonds in LCY and USD-adjusted Rates					
	Ghana		Kenya		Nigeria	
	GHS Yield	USD-adjusted Yield	KES Yield	USD-adjusted Yield	NGN Yield	USD-adjusted Yield
2027	26.22%	11.65%	12.20%	5.28%	19.34%	5.93%
2028	26.76%	12.13%	12.98%	6.01%	21.35%	7.72%
2029	26.25%	11.68%	13.05%	6.07%	19.51%	6.08%
2030	26.12%	11.57%	13.44%	6.44%	21.27%	7.64%
2031	26.57%	11.96%	13.05%	6.07%	20.76%	7.19%
2032	26.99%	12.34%	13.83%	6.81%	19.74%	6.28%
2033	26.36%	11.78%	13.95%	6.92%	19.43%	6.01%

Source: Bloomberg, IC Insights

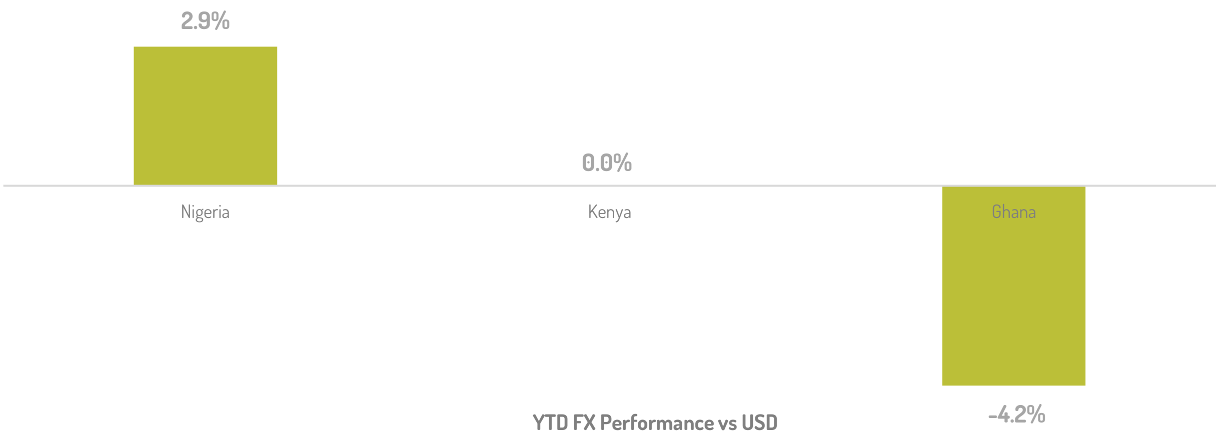


Source: S&P Global



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	15.35	-4.2%	-4.2%	19.02	-3.3%	-3.3%	15.90	-4.3%	-4.3%
Kenya	129.29	0.0%	0.0%	161.81	0.0%	0.0%	133.88	0.0%	0.0%
Nigeria	1500.00	2.9%	2.9%	1840.10	5.0%	5.0%	1538.47	3.8%	3.8%



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

For more information contact your IC representative

Business Development & Client

Derrick Mensah
Head, Investment Banking
+233 308 250 051
derrick.mensah@ic.africa

Kelvin Quartey
Analyst, Business Development
+233 308 250 051
Kelvin.quartey@ic.africa

Dora Youri
Head, Wealth Management
+233 308 250 051
dora.youri@ic.africa

Corporate Access

Joanita Hotor
Corporate Access
+233 308 250 051
joanita.hotor@ic.africa

Insights

Courage Kingsley Martey
Head, Insights
+233 308 250 051
courage.martey@ic.africa

Churchill Ogutu
Economist
churchill.ogutu@ic.africa

Kwabena Obeng
Associate, Equity Research
+233 308 250 051
Kwabena.obeng@ic.africa

Emmanuel Dadzoe
Analyst, FMCG, OMC, Telecoms
+233 30 825 0051
Emmanuel.dadzoe@ic.africa

Investing

Obed Odenteh
Chief Investment Officer
+233 308 250 051
obed.odenteh@ic.africa

Herbert Dankyi
Portfolio Manager, Rates
+233 308 250 051
herbert.dankyi@ic.africa

Timothy Schandorf
Portfolio Manager, Risk Assets
+233 308 250 051
timothy.schandorf@ic.africa

Hannah Mate
Analyst, Risk Assets
+233 308 250 051
Hannah.mate@ic.africa

Clevert Boateng
Analyst, Risk Assets.
+233 308 250 051
Clevert.boateng@ic.africa

Operations

Nana Amoa Ofori
Chief Operating Officer
+233 308 250 051
nanaamoa.ofori@ic.africa

Kelly Addai
Fund Accountant
+233 308 250 051
kelly.addai@ic.africa

Trading

Allen Anang
Sales/Trader, Global Markets
+233 308 250 051
Allen.anang@ic.africa

Johnson Asiamah
Trader, Equities
+233 308 250 051
johnson.asiamah@ic.africa

Samuel Kwame Ofori
Trader, Fixed Income
+233 308 250 051
Samuel.ofori@ic.africa