Market Insights | Pan-Africa | News & Analysis

IC FIXED INCOME & CURRENCY GUIDE

03 MARCH 2025

REPORT SUMMARY

COUNTRY	FIXED INCOME	CURRENCY
Ghana	• The Ghanaian Treasury enjoyed robust demand for its weekly Treasury bill offers in February 2025 and expectedly capitalized on this favourable market condition to slash yields across the curve while exceeding its allotment target. • Yields declined sharply by an average of 361bps with the help of the Treasury's aggressive yield compression strategy amidst the robust investor appetite. **We reiterate a "BUY" for the 364-day tenor to lock-in attractive carry**. In the bond secondary market, our newly created IC Government Bond Index (IC_GBI) gained 8.8% m/m to settle at 78.0pts, corresponding to a weighted yield to maturity of 24.65% (-256bps m/m). This emphasizes the downward shift and a bull steepening of Ghana's domestic yield curve. Against this backdrop, we recommend more duration risk to capitalize on price appreciation opportunities. Specifically, **our estimated Modified Duration suggests a "STRONG BUY" for the 2033 and 2034 tenors which has the potential to return about 4.0% price gain for every 1.0% decline in yield.**	• The Ghanaian Cedi enjoyed better support from the Bank of Ghana in Feb-2025, capping the depreciation against the US Dollar at 1.0% m/m (-5.2% YTD). We estimate the BOG's periodic sale of 7-day FX Forward at USD 375.9mn in Feb-2025 (vs USD 555.0mn in Jan-2025), anchoring the USDGHS at 15.5/USD and easing the depreciation pressure. • In the months ahead, we expect the Cedi's pace of depreciation to be influenced by the new administration's plan to implement key reforms in the FX market and reserves accumulation which will likely sustain the Cedi's relative stability.
Kenya	• Investor demand for Kenyan Treasury bills strengthened in February 2025, supported by increased preference for the 182-day and the 364-day tenors. Consequently, treasury yields declined sharply across the curve amidst Central Bank's significant rate cut at the February 2025 MPC meeting. • While the liability management operations in February 2025 eases the immediate external debt service pressure, we equally anticipate lower domestic issuances in the months ahead to sustain the decline in domestic yields.	• The Kenyan Shilling was stable in the first two weeks of February 2025 amidst thin trading volume, which coincided with build-up of forex reserves over the same period. Although depreciation pressure emerged in the second half of the month, the issuance of external debts (USD 1.5bn Eurobond and USD 1.5bn UAE loans) eased market concerns as the KES clawed back its losses. • In the month ahead, we expect the inflows from the USD 1.5bn UAE loan and reprofiling of the 2027 Eurobond into a 2036 maturity to support KES stability.
Nigeria	• The Nigerian T-bill primary market saw a significant increase in investor appetite across all tenors in February 2025, although the Treasury executed only two auctions, similar to the previous month. As a result, investor demand outweighed the Treasury's target, leading to a notable downshift in the yield curve. • Yields declined significantly across the T-bill curve amidst robust investor demand and expectation of lower inflation under the new rebased CPI series.	• The Naira enjoyed continued support in February 2025 as the Central Bank extended the deadline for FX sale to Bureau De Change (BDC) operators from end-January 2025 to end-May 2025. The CBN's sustained FX sale to the retail and interbank markets helped to boost FX liquidity, supporting a 2.6% m/m appreciation of the Naira against the US Dollar (+3.0% YTD). • We expect the Naira to remain stable in the near-term as the monetary policy committee approved the CBN's continued FX sales which has boosted FX liquidity.

Ghana Market Commentary

Fixed Income

The Ghanaian Treasury enjoyed robust demand for its weekly Treasury bill offers in February 2025 and expectedly capitalized on this favourable market condition to slash yields across the curve while exceeding its allotment target.

Total bids submitted across the T-bill tenors were worth GHS 58.1bn, a rise of 86.2% m/m which outpaced the gross target by 96.5%. However, the Treasury accepted GHS 34.7bn to cover its target by 1.17x and slashed yields across the tenors with the substantial volume of rejected bids emphatically signaling lower yields at subsequent auctions.

Our analysis of the auction performance indicates that the Treasury raised GHS 65.2bn against total maturity of GHS 46.9mn in the first 2-months of 2025. This translates into a net borrowing of GHS 18.3bn, representing 71.7% of the target budget deficit for 1Q2025 and slightly ahead of financing needs for the quarter.

Yields reversed course in February 2025, declining sharply by an average of 361bps with the aid of the Treasury's aggressive yield compression strategy amidst the robust investor appetite. We recommend a "BUY" for the 364-Day tenor to lock-in attractive carry.

In the bond secondary market, our newly created IC Government Bond Index (IC_GBI) gained 8.8% m/m to settle at 78.1pts, corresponding to a weighted yield to maturity of 24.51% (-279bps m/m). This emphasizes the downward shift and a bull steepening of Ghana's domestic yield curve. Against this backdrop, we recommend more duration risk to capitalize on price appreciation potential. Specifically, our estimated Modified Duration suggests a "STRONG BUY" for the 2033 and 2034 tenors which has the potential to return about 4.0% price gain for every 1.0% yield decline.

Currency Market

The Ghanaian Cedi enjoyed better support from the Bank of Ghana in Feb-2025, capping the depreciation against the US Dollar at 1.0% m/m (-5.2% YTD). We estimate the BOG's periodic sale of 7-day FX Forward at USD 375.9mn in Feb-2025, anchoring the USDGHS at 15.5/USD and easing the depreciation.

In the months ahead, we expect the Cedi's pace of depreciation to be influenced by the new administration's plan to implement key reforms in the FX market and reserves accumulation which will likely sustain the Cedi's relative stability.

Local Currency "General Category" Bonds (GHS)			
Maturity	Coupon	Price	Yield
Feb-27	8.35%	76.00	24.38%
Feb-28	8.50%	68.69	23.76%
Feb-29	8.65%	59.95	25.15%
Feb-30	8.80%	54.61	25.36%
Feb-31	8.95%	51.20	25.15%
Feb-32	9.10%	43.67	26.99%
Feb-33	9.25%	46.96	24.82%
Feb-34	9.40%	43.41	25.92%
Feb-35	9.55%	44.07	25.00%
Feb-36	9.70%	42.77	25.34%
Feb-37	9.85%	41.91	25.59%
Feb-38	10.00%	44.20	24.27%

Ghana Restructured Eurobonds (USD)		
Maturity	Coupon	Yield
DISCO BOND		
Jul-29	5.00%	8.23%
Jul-35	5.00%	9.50%
PAR BOND		
Jan-37	1.50%	9.61%
DOWN PAYMENT BOND		
Jul-26	Zero-coupon	4.89%
PAST DUE INTEREST (PDI) BOND		
Jan-30	Zero-coupon	5.04%

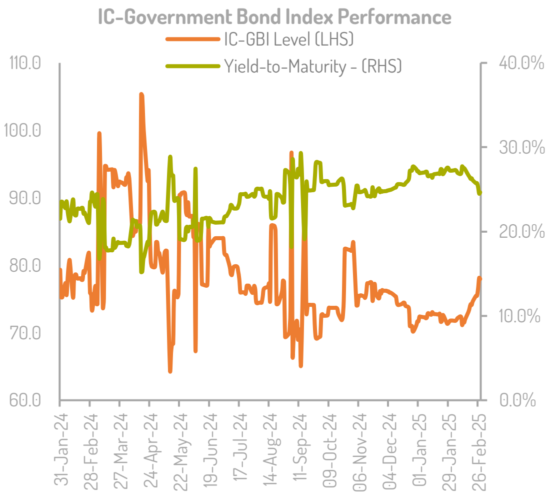
	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	24.48%	-404	-4.88
182-day	25.39%	-368	-6.56
364-day	27.30%	-3.11	-5.19

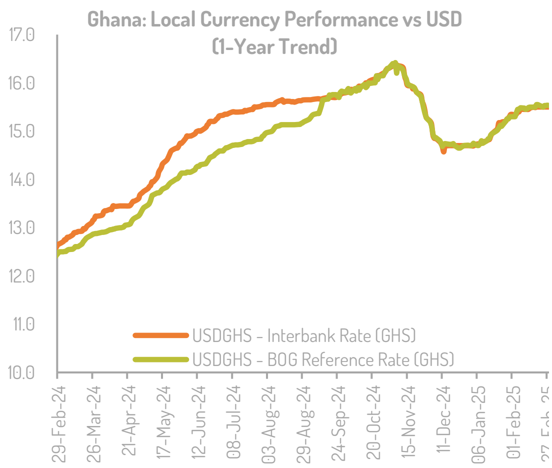
	Upcoming Maturities* (Mar-2025)	Upcoming Target* (This week)	M/M Change in Maturities
91-day	20,565.64	5,739.00	23.7%
182-day	3,971.79		-3.7%
364-day	4,092.35		-44.7%

*GHS Million

	Spot Exchange Rate (GHS)		
	Current Mid-Rate	Last Month	M/M Change*
USDGHS	15.50	15.35	-0.98%
GBPGHS	19.50	19.02	-2.47%
EURGHS	16.08	15.90	-1.14%

*Negative change means Depreciation while Positive change means Appreciation





Kenya Market Commentary

Fixed Income

Investor demand for Kenyan Treasury bills strengthened in February 2025, supported by increased preference for the 182-day and the 364-day tenors. Consequently, treasury yields declined sharply across the curve amidst Central Bank's significant rate cut at the February 2025 MPC meeting.

Cumulative bids submitted across the 91-day to the 364-day tenors surged by 61.0% m/m to KES 161.8bn (USD 1.3bn), surpassing the Treasury's target by 68.6%. However, the Treasury accepted KES 130.9bn (USD 1.0bn), exceeding its gross target and maturities for the month by 36.3% and 27.8%, respectively. Our analysis showed a sharp fall in demand for the 91-day paper, indicating investors strong preference for the longer-dated T-bills amidst expectations of further decline in yields following the Central Bank's monetary easing.

The decline in yields intensified in February 2025, due to strong demand and the Central Bank's dovishness. The 91-day yield fell by 58bps m/m to 8.95%, the 182-day yield ticked down by 72bps m/m to 9.31%, while the 364-day yield dipped by 77bps m/m to 10.53%. We expect the Central Bank's rate cut to exert further downward pressure on yields in the immediate term amidst the strong investor appetite.

The National Treasury surprised the market with a dual launch of a buyback offer for the KENINT-2027 and a new issuance of KENINT-2036 with proceeds from the latter used to fund the former. At the close of KENINT-2036 offer, the Treasury allotted USD 1.5bn at a coupon rate of 9.5% (Yield: 9.95%) with USD 900.0mn to be deployed for the buyback operation. While this liability management operation eases the immediate external debt service pressure, we equally anticipate lower domestic issuance pressure to sustain the decline in domestic yields.

Currency Market

The Kenyan Shilling was stable in the first two weeks of February 2025 amidst thin trading volume, which coincided with build-up of forex reserves over the same period. Although depreciation pressure emerged in the second half of the month, the issuance of external debts (USD 1.5bn Eurobond and USD 1.5bn UAE loans) eased market concerns as the KES clawed back its losses

In the month ahead, we expect the inflows from the USD 1.5bn UAE loan and reprofiling of the 2027 Eurobond into a 2036 maturity to support KES stability.

Local Currency Bonds (KES)				Kenya Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Mar-25	10.25%	103.82	11.08%	Jun-24	6.88%	6.96%
May-25	11.67%	98.50	11.86%	May-27	7.00%	7.91%
Nov-26	11.28%	101.68	12.07%	Feb-28	7.25%	9.47%
Jul-27	12.97%	100.58	12.29%	May-32	8.00%	9.31%
Feb-28	11.25%	100.32	12.33%	Jan-34	6.30%	9.46%
Aug-28	12.69%	88.61	12.70%	Feb-48	8.25%	10.05%
Dec-28	12.50%	96.11	12.80%			
Feb-29	12.44%	98.82	12.88%			
May-31	10.00%	99.99	12.85%			
Nov-32	12.00%	114.36	13.23%			
Jan-34	12.86%	94.38	13.40%			
Jul-34	12.34%	89.09	13.21%			

Source: Central Bank of Kenya, Bloomberg, IC Insights

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	8.95%	-58	-694
182-day	9.31%	-72	-666
364-day	10.53%	-77	-538

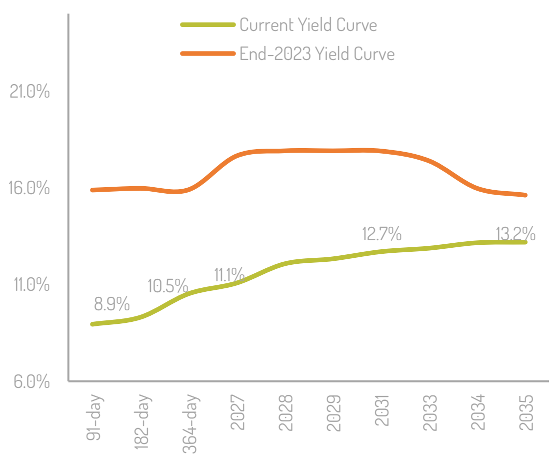
	Upcoming Maturities* (Mar-2025)	Upcoming Target* (This Week)	M/M Change in Maturities
91-day	49,173.15	24,000.00	40.1%
182-day	28,263.97		-33.0%
364-day	37,756.08		50.2%

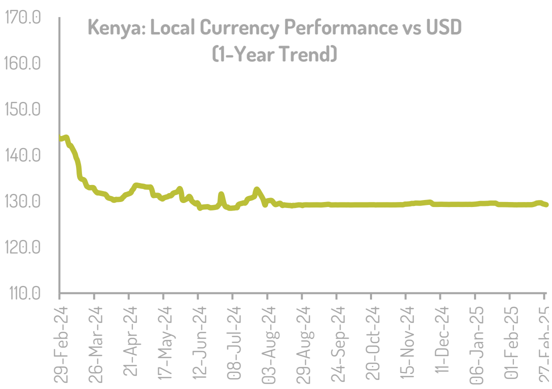
*KES Million

Spot Exchange Rate (KES)			
	Current Mid-Rate	Last Month	M/M Change*
USDKES	129.28	129.29	0.01%
GBPKES	162.53	161.81	-0.44%
EURKES	134.06	133.88	-0.13%

*Negative change means Depreciation while Positive change means Appreciation

Kenya: Indicative Treasury Yield Curve (KES)





Nigeria Market Commentary

Fixed Income

The Nigerian T-bill primary market saw a significant increase in investor appetite across all tenors in February 2025, although the Treasury executed only two auctions, similar to the previous month. As a result, investor demand outweighed the Treasury's target, leading to a notable downshift in the yield curve.

Total bids came in at NGN 5.6trn with the Treasury accepting only NGN 1.4trn, resulting in a bid-to-cover ratio of 3.9x (vs 3.2x in January). Investors continue to favour the 364-day bill as nominal yields are more attractive on this end of the curve amidst expectation of lower inflation.

Yields declined significantly across the T-bill curve amidst robust investor demand and expectation of lower inflation under the new rebased CPI series. The 91-day and 182-day stop rates declined for the first time in four months by 100bps and 50bps to 17.0% and 18.0%, respectively, while the 364-day stop rate declined sharply for the third straight month by 337bps to 18.43%. Our analysis showed a 37.4% m/m increase in demand for the long-dated instrument which we believe accounted for the sharp decline in its yields.

The National Bureau of Statistics (NBS) concluded the rebasing and reweighting of Nigeria's consumer price index in February 2025, churning out a lower-than-expected inflation for January 2025 (24.5%). While the NBS did not provide a backcast CPI series to show inflation path under the new CPI series, we think the lower inflation provides a better optics to exert downward pressure on yield.

Currency Market

The Naira enjoyed continued support in February 2025 as the Central Bank extended the deadline for FX sale to Bureau De Change (BDC) operators from end-January 2025 to end-May 2025. The CBN's sustained FX sale to the retail and interbank markets helped to boost FX liquidity, supporting a 2.6% m/m appreciation of the Naira against the US Dollar (+3.0% YTD).

We expect the Naira to remain stable in the near-term as the monetary policy committee approved the CBN's continued FX sales which has boosted FX liquidity. Additionally, we expect the authorities relentless FX reforms posture to sustain investor confidence and appetite for Naira-denominated assets.

Local Currency Bonds (NGN)				Nigeria Eurobonds (USD)		
Maturity	Coupon	Price	Yield	Maturity	Coupon	Yield
Apr-29	14.55%	81.04	18.96%	Nov-25	7.63%	6.57%
Feb-31	18.50%	87.40	18.70%	Nov-27	6.50%	7.39%
Apr-32	12.50%	73.85	18.54%	Sep-28	6.13%	8.22%
Feb-34	19.00%	90.69	18.20%	Mar-29	8.38%	8.40%
Jul-34	12.15%	68.73	18.32%	Feb-30	7.14%	8.71%
Mar-35	12.50%	67.35	18.44%	Jan-31	8.75%	9.12%
Mar-36	12.40%	66.62	18.35%	Feb-32	7.88%	9.20%
Apr-37	16.25%	86.12	18.24%	Sep-33	7.38%	9.32%
Jun-38	15.45%	81.49	18.12%	Feb-38	7.70%	9.81%
Jan-42	13.00%	68.95	17.76%	Nov-47	7.63%	9.84%
Apr-49	14.80%	83.20	17.03%	Jan-49	9.25%	9.88%
Mar-50	12.98%	73.64	16.94%	Mar-51	8.25%	9.98%
Jun-53	15.70%	88.33	16.74%			

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

	Nominal Yield	M/M Change (bps)	YTD Change (bps)
91-day	17.00%	-100	1,000
182-day	18.00%	-50	800
364-day	18.43%	-337	619

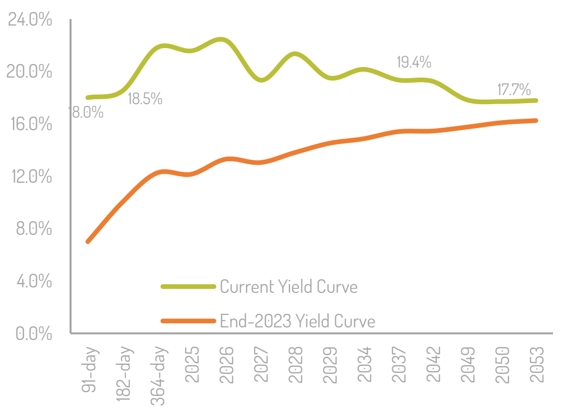
Selected Macroeconomic Indicators			
	Latest Available	Same Period Last Year	YoY Change (bps)
Inflation*	24.48%	29.90%	-5.42%
GDP growth**	3.84%	3.46%	0.38%
MPR	27.50%	18.75%	8.75%

*January 2025 | **4Q2024

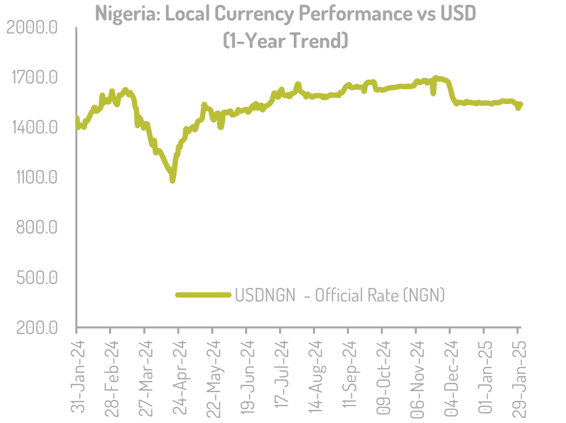
Official Spot Exchange Rate (NGN)			
	Current Mid-Rate	Last Month	M/M Change
USDNGN	1499.30	1538.47	2.61%
GBPNGN	1885.90	1840.10	-2.43%
EURNGN	1555.67	1538.47	-1.11%

*Negative change means Depreciation while Positive change means Appreciation

Nigeria: Indicative Teasury Yield Curve (NGN)

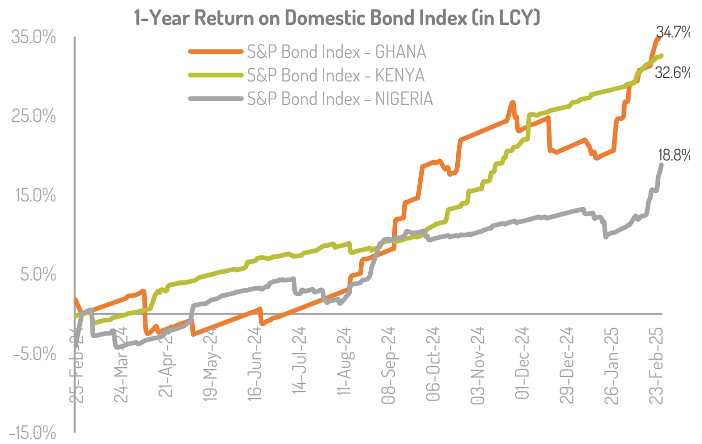


Nigeria: Local Currency Performance vs USD (1-Year Trend)

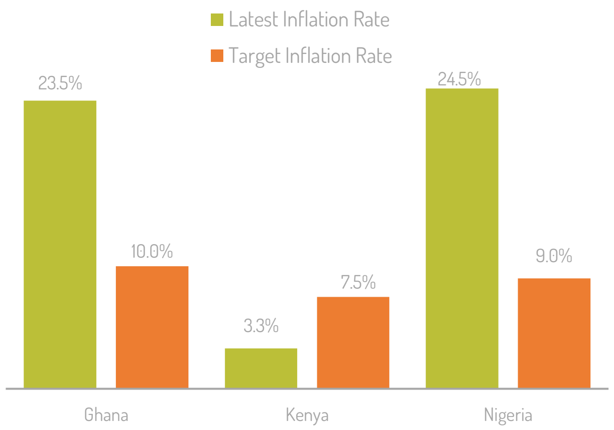


	Comparative Yields for Domestic Treasury Bonds in LCY and USD-adjusted Rates					
	Ghana		Kenya		Nigeria	
	GHS Yield	USD-adjusted Yield	KES Yield	USD-adjusted Yield	NGN Yield	USD-adjusted Yield
2027	24.38%	12.94%	11.08%	4.04%	18.54%	5.54%
2028	23.76%	12.37%	12.07%	4.97%	18.20%	5.23%
2029	25.15%	13.64%	12.33%	5.21%	18.32%	5.34%
2030	25.36%	13.83%	12.52%	5.38%	18.57%	5.56%
2031	25.15%	13.64%	12.70%	5.55%	18.32%	5.34%
2032	26.99%	15.31%	12.80%	5.65%	18.34%	5.35%
2033	24.82%	13.34%	12.88%	5.72%	18.22%	5.25%

Source: Bloomberg, IC Insights

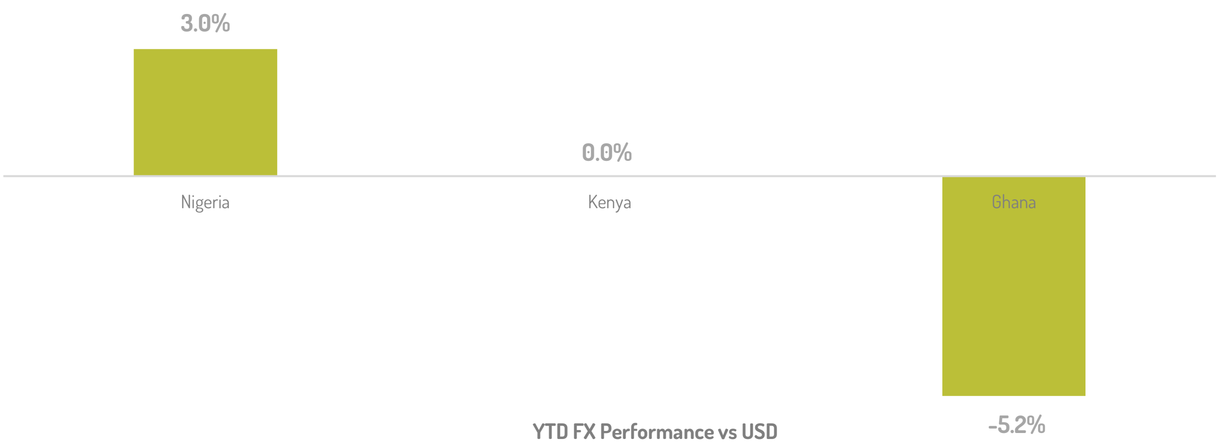


Source: S&P Global



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	15.50	-1.0%	-5.2%	19.50	-2.5%	-5.6%	16.08	-1.1%	-5.3%
Kenya	129.28	0.0%	0.0%	162.53	-0.4%	-0.4%	134.06	-0.1%	-0.1%
Nigeria	1499.30	2.6%	3.0%	1885.90	-2.4%	2.5%	1555.67	-1.1%	2.7%



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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