



# **PRUDENTIAL SECURITIES LIMITED**

**FIXED INCOME MARKET REPORT**

**...FOR THE MONTH ENDING FEBRUARY 2021...**

### GOG SECURITIES MARKET HIGHLIGHT

Interest rate on Government of Ghana treasury securities witnessed mixed adjustment. The yield on 91-day bill rose by 16bps to settle at 13.27 percent. Yields on 182-day T-bill and 364-day T-bill declined by 6bps to close at 13.89 percent and 16.80 percent respectively.

Yields on other Government Treasury Notes and Bonds remained unchanged.

The recent trend of interest rate on the fixed income market forms part of Government's effort to reduce cost of capital to boost the recovery of the domestic economy.

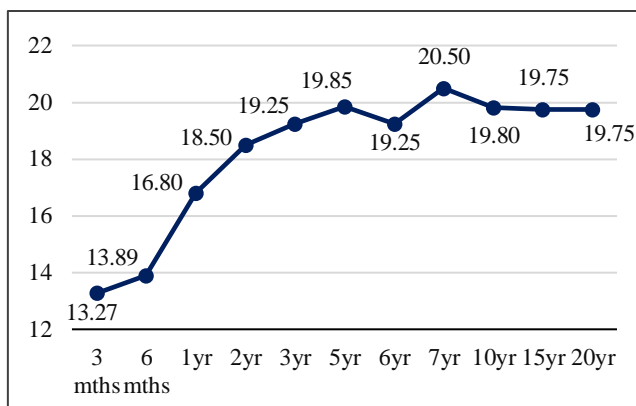
Security	Year Open	Previous Yield %	Current Yield %	WoW Chg.
	01/1/21	19/2/21	26/1/21	%
<b>91-Day TB</b>	14.10	13.11	13.27	+1.19
<b>182-Day TB</b>	14.15	13.95	13.89	-0.42
<b>364-Day TB</b>	16.96	16.86	16.80	-0.38
<b>2-Yr Note</b>	18.50	17.60	17.60	-
<b>3-Yr Bond</b>	19.25	19.25	19.25	-
<b>5-Yr Bond</b>	19.85	19.85	19.85	-
<b>6-Yr Bond</b>	19.50	19.25	19.25	-
<b>7-Yr Bond</b>	20.00	20.50	20.50	-
<b>10-Yr Bond</b>	19.80	19.80	19.80	-
<b>15-Yr Bond</b>	19.75	19.75	19.75	-
<b>20-Yr Bond</b>	20.20	20.20	20.20	-

Source: Bank of Ghana

### AUCTION RESULTS FOR FEBRUARY 2021

The total bids tendered in February amounted to GH¢9,894.50 million, which was above the total target amount of GH¢5,791.00 million. Total bid accepted within the same period was GH¢7,392.45 million.

### TREASURY YIELD CURVE



Source: Ghana Fixed Income Market

### GOVERNMENT'S ISSUANCE CALENDAR FOR JANUARY TO MARCH, 2021.

The Government plans to issue a gross amount of GH¢22,346.40 million, of which GH¢19,732.64 million is to roll over maturities and the remaining GH¢2,613.76 million is fresh issuance to meet Government's financing requirements.

See table below for the summary of the gross borrowing requirement for the period January to March, 2021.

SECURITY	JAN	FEB	MAR	TOTAL
	GHS	GHS	GHS	GHS
<b>91-Day</b>	3,000	3,100	4,300	10,400
<b>182-Day</b>	550	600	550	1,700
<b>364-Day</b>	420	450	535	1,405
<b>2-Yr Note</b>	1,610	1,820	700	4,130
<b>3-Yr Bond</b>	-	-	1,700	1,700
<b>5-Yr Bond</b>	-	-	1,400	1,400
<b>6-Yr Bond</b>	800	-	-	800
<b>7-Yr Bond</b>	-	700	-	700
<b>20-Yr Bond</b>	-	111.40	-	111.40
<b>TOTAL</b>	<b>6,380</b>	<b>6,781</b>	<b>9,185</b>	<b>22,346.40</b>

Source: Bank of Ghana

## EXCHANGE RATE PERFORMANCE IN FEBRUARY 2021

In February, the local currency closed stronger against the US Dollar and the Euro as it recorded a closing month price of 5.7374/\$ and 6.9545/£ against an opening price of 5.7604/\$ and 6.9929/£ respectively. This reflects a year-to-date appreciation of 0.40 percent for the US Dollar and 1.58 percent for the Euro.

However, the local currency lost against the British Pound Sterling in the same month. The cedi recorded a trading price of 7.9945/€ at the close of the month as against 7.8996/€ at the beginning of the month, reflecting a year-to-date depreciation of 1.50 percent.

We believe that the strong performance of the cedi in recent months can be attributed to the Central Bank's allotment of \$300 million in its forex forward auctions in the first quarter of 2021.

Currency Pair	Year Open	Month Open	Month Close	YTD %
	1/1/21	1/2/21	28/2/21	
USD/GHS	5.7602	5.7604	5.7374	0.40
GBP/GHS	7.8742	7.8996	7.9945	-1.50
EUR/GHS	7.0643	6.9929	6.9545	1.58

Source: Bank of Ghana

## STOCK MARKET HIGHLIGHTS

The Ghana stock market had a bullish run in the month of February as it extended its strong recoveries witnessed at the beginning of the year.

A total shares of 44.50 million valued at 35.23 million were traded within the month. MTN Ghana and some financial stocks such as CAL, SCB, SOGEGH, and GCB dominated the market.

This impressive performance exhibited on the local bourse could be as a result of strong FY2020 financial reporting, stable currency and a lower interest rate environment which drove investors to explore riskier assets such as the stock market.

The GSE Composite Index gained 173.80 points as it settled at 2,200.92 points, reflecting a year-to-date return of 13.36 percent. The GSE Financial Index, similarly, rose by 78.69 points to close at 1,873.31 points, reflecting a year-to-date return of 5.08 percent.

Market Capitalization rose by 1,819.19 points from GH¢54.33 billion recorded in January to settle at GH¢57.15 billion in February.

Best Performing Stocks	YTD %
MTN	28.13
CAL	15.94
SOGEGH	14.06
SCB	11.28
GCB	11.11
RBGH	9.76

Worst Performing Stocks	YTD %
ACCESS	-2.05
ALW	-9.09
UNIL	-9.89

Source: Ghana Stock Exchange Market

## COMMODITY NEWS

### Crude Oil, Brent

Brent Crude Oil prices rose again for the second consecutive time in 2021 following a supply cut decision by the Saudi Arabia Government to cut output by one million barrels a day in February and March.

Brent crude oil rose by 13.6 percent to trade at \$62 per barrel.

Source: World Bank, Commodities

### Gold

Gold prices fell in February, as the US stock market rallies. The demand for gold fell in February leading to a decline in its price as well. Investors are now moving funds from safe haven assets to a more risky asset like

the equities market. This occurred during the vaccination process in the United States as more investors presume things would get back to normal.

The yellow metal declined by 7.4 percent to close at a trading price of \$1,729 in February.

**Source: World Bank, Commodities**

## **Cocoa**

Prices of Cocoa posted gains for the second month in 2021. Cocoa prices rose from \$2,390 per tonne in January to \$2,410 per tonne in February, representing an increase of 0.84 percent.

Prices rose as a result of increase in demand for cocoa beans as more countries are loosening their COVID—19 restrictions due to the introduction of new vaccines to help slow down the spread of the coronavirus.

**Source: World Bank, Commodities**

## **ECONOMIC NEWS**

### **Inflation rate decline to 9.9 percent in January**

Inflation rate declined in the month of January 2021. Inflation declined by 4.81 percent from 10.4 percent in December 2020 to 9.9 percent in February 2021. This was mainly driven by a drop in prices of food items.

**Source: Ghana Statistical Service**

## **RECOMMENDATION/CONCLUSION**

Despite the lower interest rate on the fixed income market, we still expect growth in trading volumes across all government securities. However, we anticipate that investors will diversify their funds across the stock market due to its impressive performance in recent months.

The local currency is expected to remain stable in the last month of the first quarter. The \$300 million allotment done by the Central Bank will help curb the rampant depreciation of the local currency against foreign currencies especially the US Dollar.

## **CORPORATE INFORMATION**

Prudential Securities Limited  
Head Office Building  
No. 8 Nima Avenue,  
Ring Road Central  
Accra, Ghana.

## **TELEPHONE NUMBERS**

+233 21768386, +233 21770936, +233 21771284  
+233 21769683

### **Email:**

[info@prudentialsecurities.com.gh](mailto:info@prudentialsecurities.com.gh)

### **Website:**

[www.prudentialsecurities.com.gh](http://www.prudentialsecurities.com.gh)