



PRUDENTIAL SECURITIES LIMITED

FIXED INCOME MARKET REPORT

...FOR THE MONTH ENDING JANUARY 2021...

GOG SECURITIES MARKET HIGHLIGHT

Interest rate movement on the GOG treasury securities eased marginally at the end of January 2021. Yields on the 91-Day T-Bill and 182-Day T-Bill lost 2bps and 4bps to settle at 14.08 percent and 14.13 percent respectively.

The yield on 364 Day T-Bill, and other Government Bond and Notes remained unchanged.

Security	Year Open	Previous Yield %	Current Yield %	WoW Chg.
	04/1/21	22/1/21	29/1/21	%
91-Day TB	14.10	14.08	14.06	-0.17
182-Day TB	14.15	14.13	14.09	-0.28
364-Day TB	16.96	16.96	16.96	-0.03
2-Yr Note	18.50	18.50	18.50	-
3-Yr Bond	19.25	19.25	19.25	-
5-Yr Bond	19.85	19.85	19.85	-
6-Yr Bond	19.50	19.25	19.25	-
7-Yr Bond	20.00	20.50	20.50	-

Source: Bank of Ghana

AUCTION RESULTS FOR JANUARY 2021

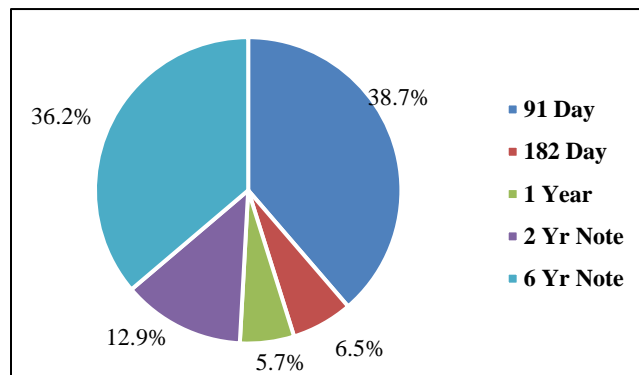
The total bids tendered in January was GH¢8,334.80 million, which was above the total target amount of GH¢4,630.00 million. Total bid accepted within the same period was GH¢7,966.32 million.

The 91-Day T-Bill and 6 Year Bond were instruments with most bids accepted in January, constituting 39 percent and 36 percent of the total bids accepted by the Government respectively.

See table below for the breakdown of the auction results in January 2021...

GOG SECURITIES	Amount Tendered	Amount Sold
	GHS' m	GHS' m
91-Day T-Bill	3,375.17	3,081.87
182-Day T-Bill	574.18	515.42
364-Day T-Bill	471.85	455.43
2 Yr. FXR Bond	1,029.86	1,029.86
6 Yr. FXR	2,883.74	2,883.74
TOTAL	8,334.80	7,966.32

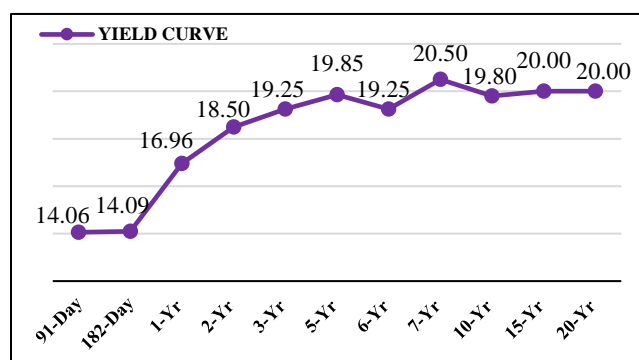
The diagram below represents the percentage allocation of funds raised during GOG Securities auction. The 91-Day T-Bill was the most bids accepted in January, constituting 38.7 percent of the total bids accepted by the Government.



TREASURY YIELD CURVE

The yield curve extended its normality into the new year following the general uptrend of the curve as yields on long dated treasury instruments are generally competitive to their short-dated counterparts.

The general performance of the market following its safe-haven nature coupled with rising demand for funds by Government are factors underpinning the normality of the 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
91-Day	3,000	3,100	4,300	10,400
182-Day	550	600	550	1,700
364-Day	420	450	535	1,405
2-Yr Note	1,610	1,820	700	4,130
3-Yr Bond	-	-	1,700	1,700
5-Yr Bond	-	-	1,400	1,400
6-Yr Bond	800	-	-	800
7-Yr Bond	-	700	-	700
20-Yr Bond	-	111.40	-	111.40
TOTAL	6,380	6,781	9,185	22,346.40

Source: Bank of Ghana

EXCHANGE RATE PERFORMANCE IN JANUARY 2021

The local currency in the first quarter of every year usually comes under some pressure due to the high demand for dollars by businesses to finance imports often resulting in a depreciation of the local currency.

To tackle this weakness, the Bank of Ghana (BoG) has allotted close to \$60 million per its bi-weekly forex forward auctions for Q1 2021. In total, the BoG will be selling a total of \$300 million in its forex forward auctions in Q1 2021 alone.

This measure taken by the Central Bank caused the cedi to remain stable against the US Dollar in January 2021.

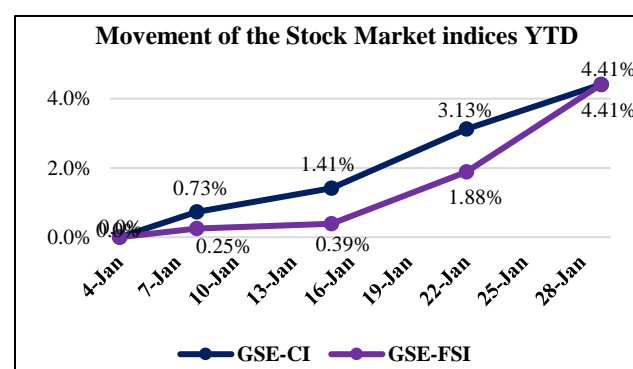
Currency Pair	Year Open	Month Open	Month Close	YTD %
	4/1/21	4/1/21	29/1/21	
USD/GHS	5.7602	5.7602	5.7604	0.00
GBP/GHS	7.8742	7.8742	7.8996	-0.32
EUR/GHS	7.0643	7.0643	6.9929	1.02

Source: Bank of Ghana

STOCK MARKET HIGHLIGHTS

The Ghana Stocks Exchange kicked start the new year on a positive note as it extended its strong recovery witnessed in the last month of 2020. The GSE Composite Index gained 85.53 points as it settled at 2,027.12 points. The GSE Financial Index, similarly, rose by 78.69 points to close at 1,861.45 points. Both the Composite Index and the Financial Index recorded a year-to-date return of 4.41 percent each in January 2021.

Market Capitalization rose by 958.11 points from GH¢54.37 billion recorded in December 2020 to settle at GH¢55.33 billion in January 2021.



Source: Ghana Stock Exchange Market

COMMODITY NEWS

Crude Oil, Brent

Brent Crude Oil prices rose in January following the decline in global crude inventory and supply cut decision by the Saudi Arabia to contribute to the elimination of the glut in the market.

The announcement by the Saudi Arabia Government to cut output by one million barrels a day in February and March was welcomed by the market hence contributing to the commodities gain. Brent crude oil rose by 9.42 percent to trade at \$54.6 per barrel.

Gold

Gold prices went up in January, amid growing hopes of further U.S. stimulus measures. The demand for gold could be attributed to the debate on the fiscal 2021 budget resolution by the Democrat lawmakers in the U.S Senate.

This was a first step towards passing the \$1.9 trillion stimulus package proposed by President Joe Biden, and an indication that the Democrat-majority chamber will advance the bill without Republican support. The yellow metal rose up by 0.48 percent or \$9.00 to settle at a trading price of \$1,867.

Cocoa

Prices of Cocoa fell in January as a result of a slowdown in demand driven by the second wave of COVID-19 pandemic. Cocoa prices reduced 0.83 percent, or \$20 to close January at \$2,390. Dealers said hedge selling related to trade in Ivorian cocoa in the physical market had helped to exert downward pressure on prices.

ECONOMIC NEWS

Bank of Ghana maintains policy rate at 14.5 percent.

The Bank of Ghana kept its monetary policy rate at 14.5% during its January 2021 meeting, saying that risks to the outlook for inflation were broadly balanced.

The committee stated that although inflation had been on a steady decline in the early months of the fourth quarter of 2020, it rose to 10.4% outside its target range of 8±2. However, the headline inflation is expected to return to target in the second quarter of 2021.

RECOMMENDATION/CONCLUSION

The fixed income market will continue to serve as a safe haven for investors to protect their funds in the midst of the second wave of the COVID-19 pandemic. Despite the low interest rate, we anticipate growth in trading volumes to spread across all government instruments the first quarter of 2021.

We also expect the local currency to remain stable especially against the US Dollar due to the allotment of \$300 million to be issued in the forex forward auction in Q1 2021 alone. The performance of the Ghana stock market is expected to show mixed signals as market players are awaiting companies listed on the local bourse to publish their full year 2020 financial results.

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