



# Market Brief: Q3 2022

Despite recessionary and inflationary threats looming over the international markets, domestic economic activity continued to recover during Q3 2022. Excess system reserves and liquid assets, the narrow and broad measures of liquidity, expanded by 10 and 11 percent, respectively, to \$2.25 and \$2.97 billion during Q3. Institutional investors increased their exposures to Treasury bills during the period, with oversubscriptions at the short end of the curve. The \$743 million in Treasury bills offered to the market during the quarter received \$1.14 billion in total subscriptions, with the issuer accepting less than 10 percent of the excess bids.

Strong institutional demand for short-term paper continued to apply downward pressure on yields during Q3 2022. The 91-day discount rate, which closed Q2 at 2.866 percent, declined by 20 basis points to 2.846 percent, marking the first decline for successive quarters since 2018.

As a result of the foregoing, benchmark bond yields at all points along the curve responded similarly, with the exception of the 20- and 30-year tenors. Benchmark coupons in the December 2022 coupon pricing will, as is customary, depend on market feedback alongside prevailing yields on short-term Government paper.

Although overall demand for long-term Government bonds remained strong over the quarter, with an average benchmark absorption of 162 percent, market appetite for select tranches tightened. Compared to Q2 2022, when average absorption for all tenors exceeded 100 percent, demand for the 10- and 20-year tranches generated average absorptions of 72 and 73 percent, respectively. Average absorption for all other tranches remained above 100 percent.



## B\$ Government Security Indices

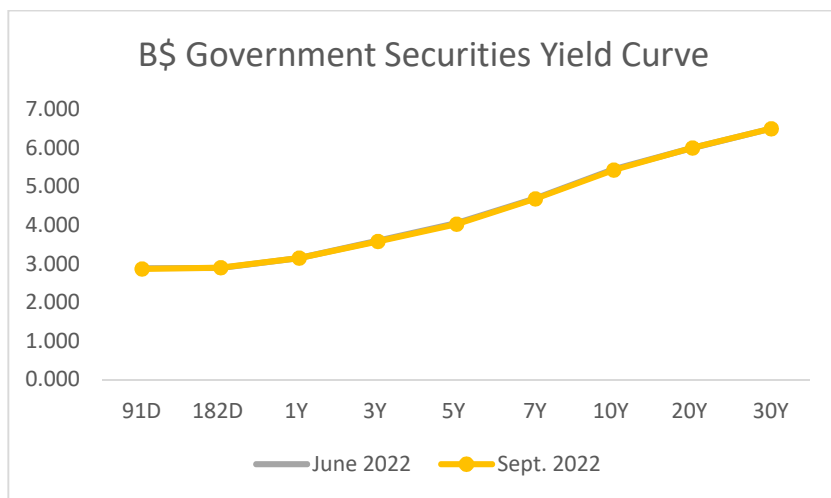


Figure 1. Bahamas Government Securities yield curve as at 30<sup>th</sup> Sept., 2022

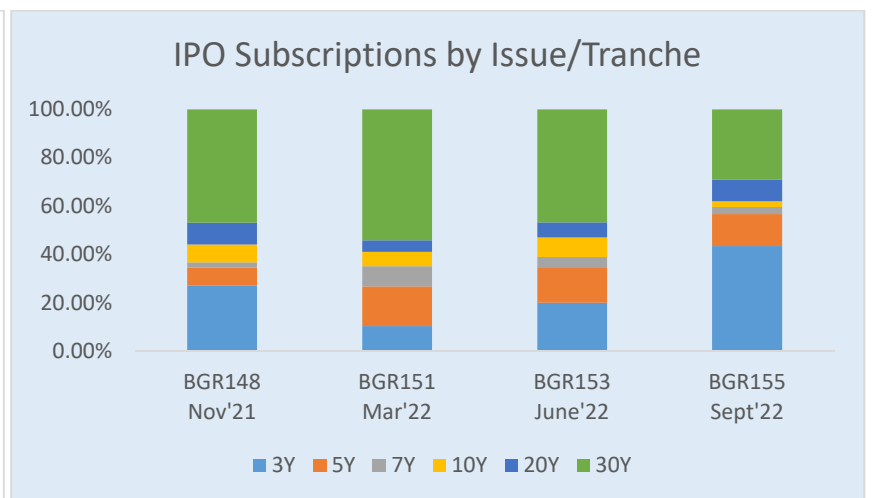


Figure 2. BRS IPO Subscriptions by Tenor

## Short-Term, Medium-Term, and Long-Term Market Outcomes

Month	Issue	Type	Issue Size (\$Mill)	Subscriptions (\$Mill)	Absorption Rate (percent)
<b>BAHAMAS REGISTERED STOCK</b>					
July 2022	BGR1531	Reopening	55.00	69.76	127%
Aug. 2022	BGR1532	Reopening	10.00	18.69	187%
Sept. 2022	BGR1550	IPO	30.00	52.23	174%
<b>BAHAMAS TREASURY BILLS</b>					
July 2022	TB 629/30	91D/182D	348.33	459.89	132%
Aug. 2022	TB 631/2	91D/182D	197.38	426.99	216%
Sept. 2022	TB 633/4	91D/182D	196.96	252.21	128%

A list of upcoming BRS offers is available at:

<https://www.centralbankbahamas.com/news/brs-initial-public-offering-calendar>

Broker dealers and Commercial Banks who have not received interactive training may contact the Central Bank's Financial Market Infrastructure Unit at: [cbob.currency@centralbankbahamas.com](mailto:cbob.currency@centralbankbahamas.com)

Figure 2 above illustrates investor participation by tenor. Compared to the close of Q2 2022, there was significant demand transfer from the 30Y tenor to the 3Y tranche. This suggests, that market participants are managing exposure along the yield curve by prioritizing duration over yield. A similar position was noted during the final quarter of 2021 before sentiment shifted to historical, yield-based preferences at the start 2022.

During Q4, new 1- and 2-year notes will be released to the market to refinance upcoming maturities. With market demand skewed towards the short-end of the curve, favourable uptakes are expected.

Towards the end of Q3, the Central Bank began test auctions and offers for Government securities with Bahamas Government Securities Depository (BGSD) participants. It is anticipated that these tests will continue through Q4 as participants are phased into the live environment for the BGSD. The BGSD is slated for live operations in January 2023.