



Market Brief: March 2021

As foreshadowed by market activity near the end of 2020, demand for Government paper shifted towards the short end of the yield curve during Q1 2021, with larger market participants continuing to adjust duration strategies amidst persistent COVID-19 pressures. Most notably, Treasury bill (T-bill) absorption rates matched levels established in Q4 2020, with 87 percent of offers having been subscribed. Moreover, demand for T-bills was heavily skewed towards the 91-day tranche, with 95 percent of the \$610 million T-bills issued in Q1 2021 allocated to this tranche.

The 91-day T-bill yield continued to climb month over month, closing Q1 2021 at 2.5660 percent, compared to 2.4336 percent at the end of Q4 2020, as depicted in Figure 1.

After six months of silence, the market renewed tepid interest in the 182-day T-Bill during March 2021, and realigned its yield against the prevailing curve. This was borne out by the market bidding up the yield to 2.75 percent from 1.668 percent, six months prior.

Aligned with expectations, subscriptions in the 1-year Bahamas Registered Stock (BRS) IPO in March 2021 exceeded the initial offer size of \$75 million by 17 percent, with institutional investors accounting for 98 percent of overall subscriptions.

Figure 1 illustrates the progression of T-bill yields since March 2018. Figure 2 illustrates the steady growth of benchmark coupons across all tenors since June 2020, with the 1-year BRS accounting for the largest uptick—a 22 basis point increase.



Treasury Bills Treasury Bill Yield

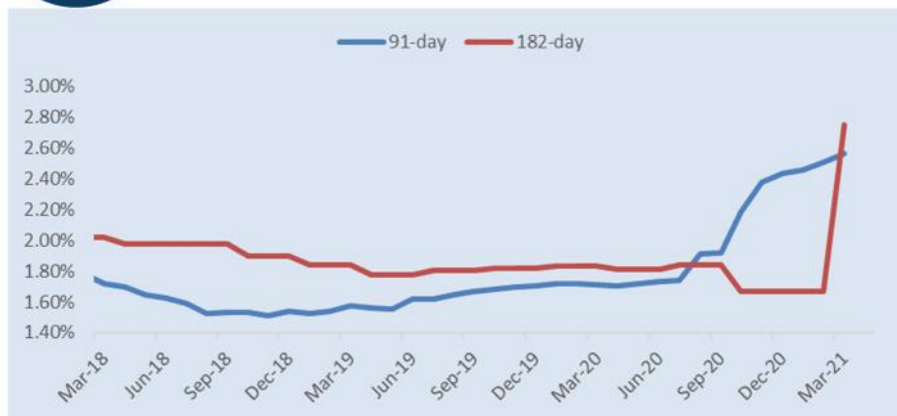


Figure 1.

Government Bonds BRS Coupons



Figure 2.

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

Month	Issue	Type	Issue Size (\$Mill)	Subscriptions (\$Mill)	Absorption Rate (percent)
October 2020	BGR1391	Reopening	22.52	21.12	94%
	BGR1400	IPO	75.00	73.25	98%
November 2020	BGR1411	IPO	26.50	27.86	105%
December 2020	BGR1412	Reopening	30.00	25.01	83%
January 2021	BGR1413	Reopening	30.00	17.99	60%
February 2021	BGR1420	IPO	16.00	32.14	201%
March 2021	BGR1421	Reopening	25.00	14.56	58%
	BGR1430	IPO	75.00	87.41	117%

Market demand for medium- and long-term Government paper decreased over Q1 2021 as investors shifted interest towards T-Bills as well as the 1-, 3-, and 5-year BRS. Based on the observed shift, offering sizes for all tenors were adjusted in February and in March, to more closely align them with the market sentiments.

During Q2 2021, offerings across all tenors are expected to come to market, while issuers monitor the market's appetite for liquid short-term versus higher-yielding long-term investments.

Overall absorption levels remain high, as the 'grow/shrink' provision continues to have a positive impact on the Government's ability to satisfy demand.