



Market Brief: Q1 2022

With an uptick in economic activity at the turn of the new year, coinciding with more relaxed COVID-19 restrictions, the domestic market responded positively during Q1 2022. Despite short-term Government paper continuing to dominate subscriptions—with a 97 percent absorption rate for January through March 2022—the market exhibited renewed interest in long-term bonds. Multi-year benchmark offers averaged a subscription rate of 38 percent during Q1 2022, with an almost proportional shift in interest from the 3-year bond to 5- and 30-year points on the curve.

Notwithstanding its dominant market share, the slope of the Treasury bill segment of the curve began to flatten during Q1 2022. After increasing by 7.74 basis points (bps) over the final quarter of 2021, growth of the 91-day rate slowed to 5.01 bps,

closing the quarter at 2.89 percent. Despite a small uptick in February 2022, the 182-day rate maintained its baseline of 2.90 percent at the end of the quarter.

Primary benchmark yields remained flat at respective points on the curve, with the exception of the 1-year note, the coupon for which increased by 5 bps from 3.10 percent to 3.15 percent. The market responded positively to this outcome by prioritizing liquidity and duration management over yield. The result is attenuated volatility in secondary market price indications and the opportunity for investors to demonstrate indifference between primary and secondary market transactions.



B\$ Government Security Indices

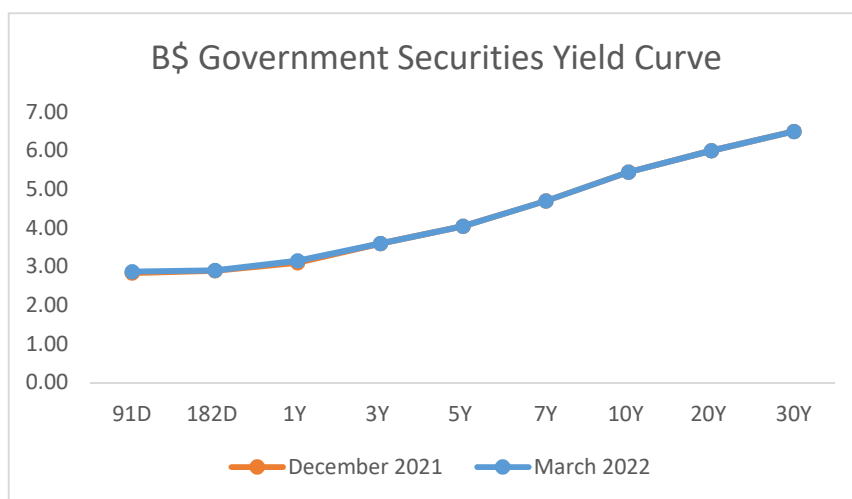


Figure 1. Bahamas Government Securities yield curve as at 31st March, 2022

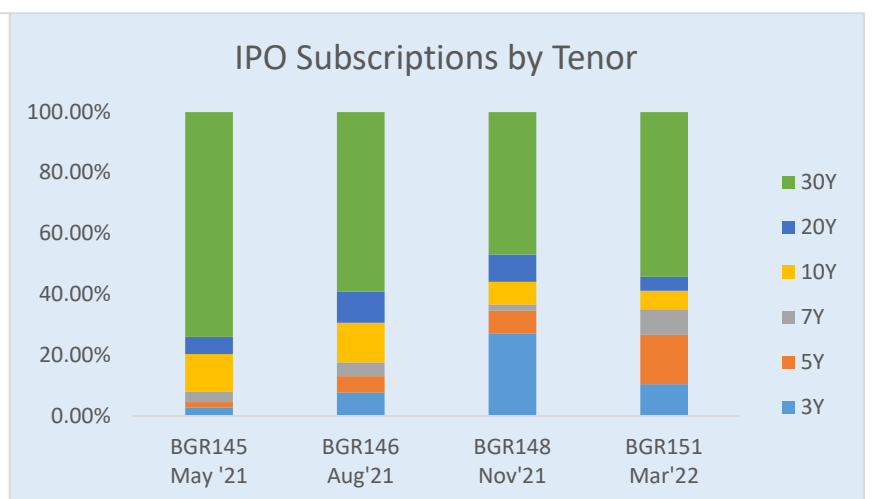


Figure 2. BRS IPO Subscriptions by Tenor

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

Month	Issue	Type	Issue Size (\$Mill)	Subs. (\$Mill)	Absorption Rate (percent)
BAHAMAS REGISTERED STOCK					
January 2022	BGR1482	Reopening	47.33	11.99	25%
	BGR1491	Reopening	35.34	40.42	114%
March 2022	BGR1500	IPO	10.00	18.63	186%
	BGR1510	IPO - 1YR	87.41	127.01	145%
BAHAMAS GOVERNMENT TREASURY BILLS					
January 2022	TB 615/6	91D/182D	492.37	455.02	92%
February 2022	TB 617/8/9	91D/182D	219.63	216.24	98%
March 2022	TB 620/1	91D/182D	189.96	206.57	109%

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

Compared to the final two quarters of 2021, the absorption rate for benchmark Government securities increased by 15 percent, with a preference for the 30-year tenor, which continued to dominate the long-term space. Moreover, Q1 2022 promoted a 19 percent decrease and a 6 percent increase in the 3- and 5-year absorption rates, respectively, relative to Q4 2021.

In keeping with its mandate to enhance market efficiency, the Central Bank began the year with two noteworthy initiatives. The first was the announcement of the discontinuation of Central Bank brokerage services to the general public. The scope of services offered to the general public will unwind throughout 2022, with cessation on 31st December, 2022. It is envisioned that broker-dealers will service displaced secondary market transactions, allowing the Central Bank to focus on its primary market role as structuring and issuing agent, and secondary market role as registrar and transfer agent. This should also bolster secondary market activity as the Central Bank seeks to drive the market towards organic secondary market price discovery.

Secondly, with the impending transition to the Bahamas Government Securities Depository (BGSD), the Central Bank held training sessions with key market participants. Transition to the BGSD decentralizes market activity, giving more autonomy and responsibility to market participants for clearing and settlement across their respective Government security portfolios. Guidance and training will continue throughout the Q2 2022 to facilitate a smooth and seamless migration for all.