



# Market Brief: Q2 2022

Domestic market activity improved during Q2 2022, as investor participation surpassed that of the previous quarter, hitting a new high since the onset of the COVID-19 pandemic. After nearly two years of tepid investor activity, Q2 2022 was the first quarter since Q3 2019 with a minimum absorption level of 100 percent for all tenors. This change in market sentiment was most evident in the increased demand for long-term paper, as the 30Y tenor's subscription share increased to 44.70 percent during Q2 2022, versus 24.97 percent in Q1 2022.

Despite the increased demand on the far end of the yield curve, short-term Government paper (91D, 182D, and 1Y) maintained its dominant market share. This was made clear at the end of Q2 2022, when \$185 million of new BRS was introduced to the market. Market demand called for the new paper in 1Y and 2Y BRS—with approximately 57 percent of the take-up attributed to 1Y subscribers.

Market pressures from the continued demand for short-term paper, coupled with the decrease in availability for Treasury Bills—stemming from recent retirement of two special issues—drove yields downward during Q2 2022, marking the first sustained decline in the 91-day rate since Q2 2018. During the quarter, the 91D average discount rate decreased from 2.888 percent to 2.866 percent, while the 182D rate stood at 2.900 percent.

Benchmark yields remained unchanged for the third consecutive quarter, with institutional investors continuing to prioritize duration and exposure over yield pickup, promoting secondary market price stabilization. With the next benchmark repricing scheduled during Q3 2022, the Bahamas Government is keen on receiving feedback from the domestic market, to guide the way forward.



## B\$ Government Security Indices

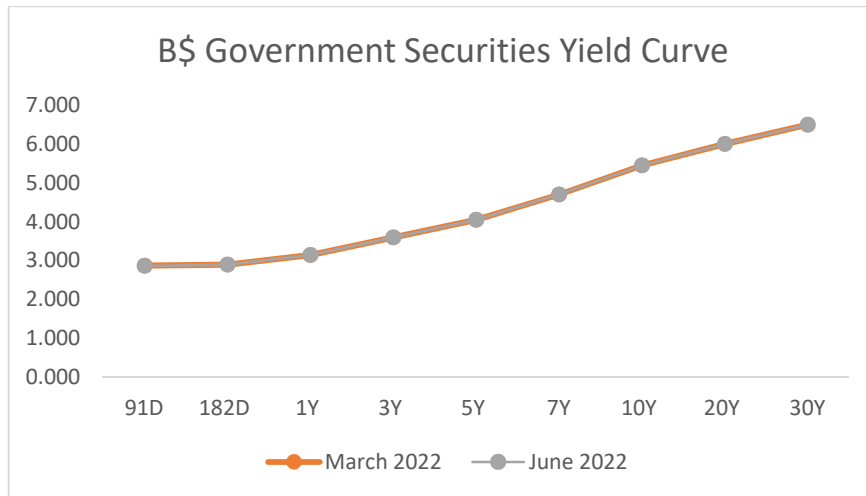


Figure 1. Bahamas Government Securities yield curve as at 30<sup>th</sup> June, 2022

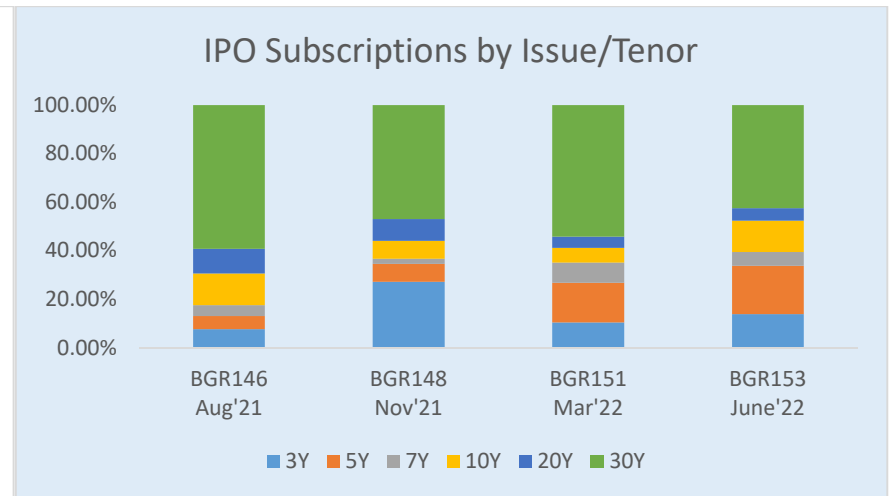


Figure 2. BRS IPO Subscriptions by Tenor

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

Month	Issue	Type	Issue Size (\$Mill)	Subs. (\$Mill)	Absorption Rate (percent)
<b>BAHAMAS REGISTERED STOCK</b>					
April 2022	BGR1501	Reopening	26.0	32.28	124%
May 2022	BGR1520	IPO - 1YR	58.0	100.80	174%
June 2022	BGR1530	IPO	17.0	34.25	201%
	BGR1540	IPO - 1YR	150.0	268.85	179%
<b>BAHAMAS GOVERNMENT TREASURY BILLS</b>					
April 2022	TB 622/3	91D/182D	501.6	534.6	107%
May 2022	TB 625/6	91D/182D	170.1	213.2	125%
June 2022	TB 627/8	91D/182D	179.0	267.8	150%

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 based on tenor. Compared to the close of Q1 2022, there was a net transfer of demand from the 30Y tenor to the 5Y and 10Y tenors during Q2. The most welcomed aspect of this shift is the increased demand for 10Y paper, which had appeared to have fallen out of favor with the market over the past year.

After announcing that it would cease all brokerage services by the end of 2022, during Q2 2022, the Central Bank announced that it would continue to provide this service for individual investors and that all institutional investors would require a brokerage account with a licensed broker dealer. News of the Central Bank's decision to revise its position on the discontinuation of brokerage services was well received by the market.

In anticipation of the transition to the Bahamas Government Securities Depository (BGSD), stakeholders continued to participate in tests and simulations in Q2 2022. With the goal of commencing the transition prior to year-end, it is anticipated that training and testing will ramp up further during Q3 2022.