



CENTRAL BANK OF THE BAHAMAS DOMESTIC MARKET BRIEF 4TH QUARTER 2022

Quarterly Domestic Market Review

During quarter 4 (Q4) 2022, domestic Government debt expanded as the issuer sought to offset more of its fiscal deficit by accessing domestic market liquidity. Throughout the quarter, of the \$1.07 billion in Government paper issued, \$1.01 billion refinanced existing debt obligations. However, market absorption contracted.

Treasury bills (T-bills) closed the current period with an average absorption rate of 91 percent. This marked the lowest absorption rate for this security class in 2022 and the lowest quarterly average since Q2 2021. A tranche-to-tranche comparison reveals that the 91-day T-bill experienced a greater decline in demand; falling to an average absorption of 96 percent for the quarter versus 162 percent in Q3 2022. Comparatively, absorption for the 182-day T-bill declined from 154 percent to 99 percent during Q4. Figure 1 illustrates the uptick in market yields as demand for short-term Government securities declined towards the end of Q4.

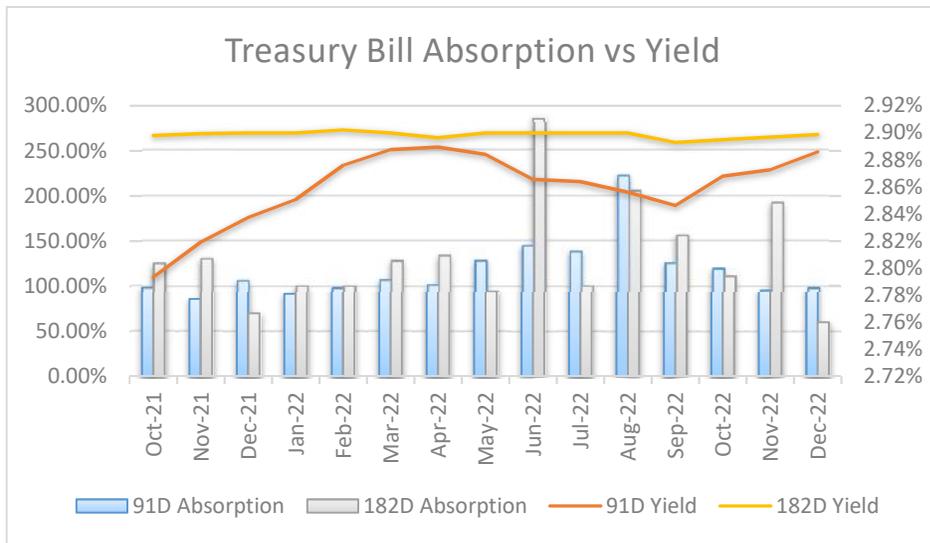


Fig. 1

Market Recap

Short-term paper remained a priority for institutional investors and, by extension, the market. Moreover, for the second consecutive quarter, the 3- and 5-year tranches accounted for nearly 60 percent of total Bahamas Registered Stock (BRS) subscriptions—continuing Q3’s momentum and exceeding the 2022 benchmark of 21.81 percent.

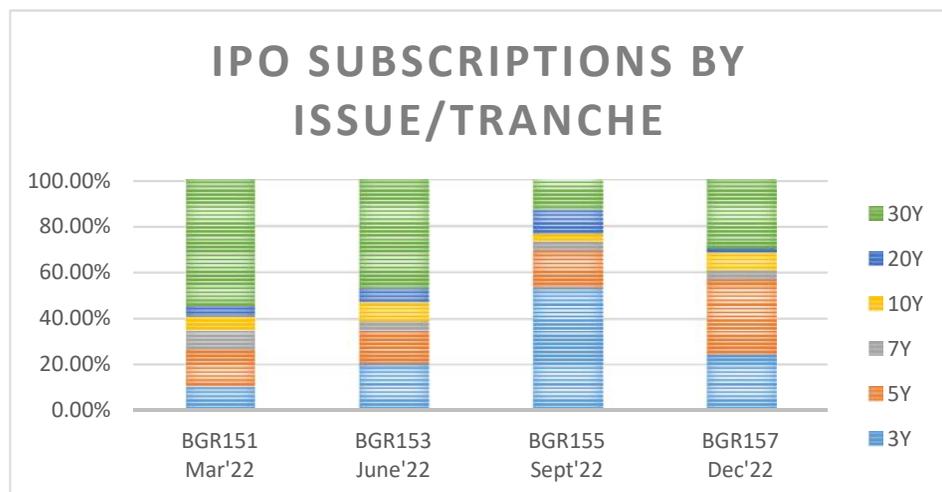


Fig. 2

With nominal long-term BRS maturities due in Q1 2023, net new debt issuances are anticipated to dominate the calendar. For institutional investors, the stronger relative demand for T-bills and short-term BRS, compared to benchmark issuances, is expected to continue, while individual investors are expected to prioritize high yield opportunities. This could inform the next round of coupon repricing scheduled for March 2023. The market can expect an increased supply of the 2-year bond in March 2023, reducing the market’s reliance on the 1Y note.



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During Q1 2023, the Bahamas Government Security Depository (BGSD) will facilitate the first BRS auction on select issues—the first step toward competitive bidding for Government bonds. During Q4 2022, the Central Bank issued a Market Notice on adjustments to the BRS IPO process, highlighting the movement to a single day auction timeline and a simplified allocation process.

Month	Issue	Type	Issue Size (\$Mill)	Subscriptions (\$Mill)	Absorption Rate (percent)
BAHAMAS TREASURY BILLS					
October 2022	TB 635/6	91D/182D	351.55	414.05	118%
November 2022	TB 637/8	91D/182D	147.14	152.17	103%
December 2022	TB 640/1	91D/182D	50.00	24.02	48%
	TB 642/3	91D/182D	198.96	187.13	94%
BAHAMAS REGISTERED STOCK					
October 2022	BGR1551	Reopening	40.00	34.68	87%
	BGR1560	IPO - 1YR	131.22	193.71	148%
November 2022	BGR1552	Reopening	10.00	11.91	119%
December 2022	BGR1570	IPO	20.00	10.65	53%
	BGR1580	IPO - 1&2 YR	85.48	86.30	101%

All questions regarding the BGSD can be routed to the Central Bank’s Financial Market Infrastructure Unit at: fmi@centralbankbahamas.com

A list of upcoming BRS offers is available at: <https://www.centralbankbahamas.com/news/brs-initial-public-offering-calendar>