



DOMESTIC MARKET BRIEF 2ND QUARTER 2023

Market Overview

During the second quarter (Q2) 2023, Government domestic paper expanded, as the issuer sought to offset more of its fiscal deficit by accessing domestic liquidity. Throughout the quarter, approximately \$1 billion in Government paper was issued, of which 97 percent or \$970 million refinanced existing debt obligations. The issuer took note of the market’s continued demand for short-term paper (up to two years to maturity), as 91 percent of debt issued during the quarter fell at this point on the yield curve. This ratio contracted slightly from Q1 when approximately 97 percent of total debt issued was short-term. The key shift during the quarter can be traced to constrained Treasury bill (T-bill) issuance. During Q1, T-bills accounted for nearly 86 percent of total debt issued; this proportion diminished to 75 percent in Q2.

Market Recap

T-bills closed the period with an average absorption rate of 110 percent. This marked the highest absorption rate for this security class in 2023. A point-to-point comparison revealed a sharper increase in demand for the 91-day T-bill, with an average absorption rate of 126 percent for Q2 versus 108 percent in Q1 2023. Additionally, absorption for the 182-day T-bill increased from 92 percent to 94 percent during Q2. Figure 1 illustrates the uptick in market yields compared to demand for T-bills during Q2.

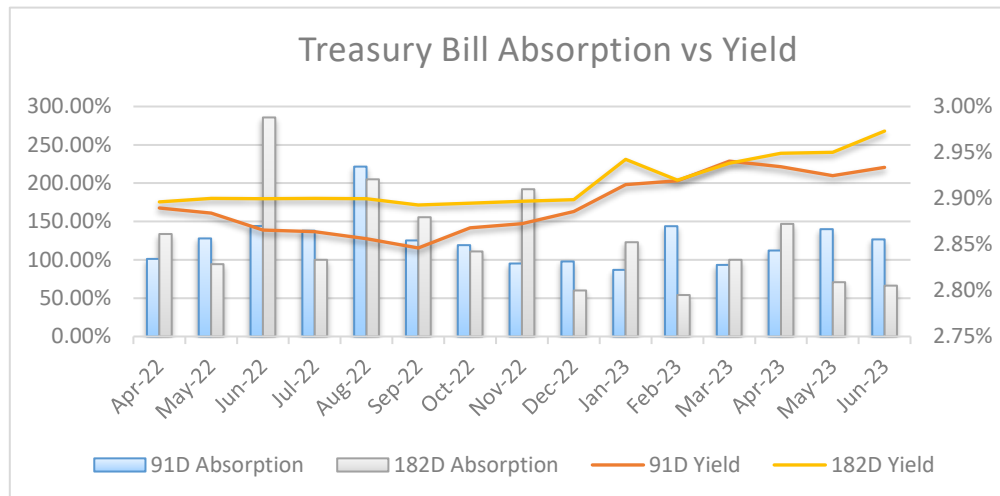


Fig. 1

Both short- and long-term paper remained priorities for institutional investors. Moreover, in Q2 the 3- and 30-year tranches accounted for nearly 70 percent of total Bahamas Registered Stock (BRS) subscriptions—a stark shift from Q1 when the 5-year tranche dominated market demand. During the quarter, for the first time in three years, the issuer released only one long-term BRS offer, further recognizing the market’s preference for short-term paper. Figure 2 illustrates benchmark offers’ performance by tranche over the past four quarters.

The medium-term tenors, with 5-20 years to maturity, continue to garner tepid market demand, as participants opt to prioritize both liquidity and duration management on the short end or maximize yield on the long end.



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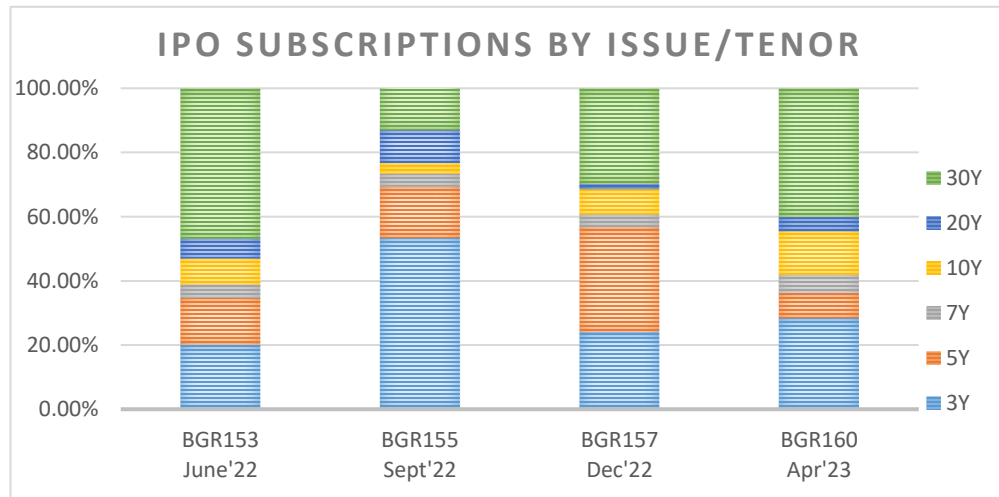


Fig. 2

With the issuer's new fiscal year beginning in July, an update to the BRS issuance schedule was published to highlight regular and predictable benchmark issues. In the meantime, Figure 3 displays Government Security Issuance Outcomes for Q2 2023.

Month	Issue	Type	Issue Size (\$Mill)	Subscriptions (\$Mill)	Absorption Rate
BAHAMAS TREASURY BILLS					
April 2023	BSTB 6519/6527	91D/182D	313.97	374.49	119%
May 2023	BSTB 6535/6543	91D/182D	222.77	295.23	133%
June 2023	BSTB 6550/6568	91D/182D	35.31	58.00	164%
	BSTB 6576/6584	91D/182D	187.08	206.43	110%
BAHAMAS REGISTERED STOCK					
April 2023	BRS160	IPO	15.00	18.40	123%
May 2023	BRS161	IPO Short-Term	58.00	113.70	196%
	BRS160/161	IPO Short-Term	45.00	84.94	189%
June 2023	BGR162	IPO Short-Term	105.16	175.73	167%

Fig. 3



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

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