

NTB Auction Teaser.

Treasury bills worth N228.02 billion will mature tomorrow, 23rd March 2017. This comprises of N28.12 billion, N23.68 billion and N83.17 billion of the 91-day, 182-day, and 364-day bills respectively. In customary fashion, the CBN will offer the same amount at the primary auction, which will hold today, Wednesday, 22nd March 2017.

Table 1: Auction Indicative Rates

T-Bills	91D	182D	364D
Indicative Rates (%)	13.50-13.60	17.60-17.70	18.40-18.50

Source: Cordros Forecast

Prior to the last auction, trading at the secondary market was mixed, with selloff at the start of the week, while a reported moderation in February inflation (to 17.78%, from 18.72%) spurred modest demand. Specifically, at the auction, the apex bank sold N253.76 billion (vs. planned N213.76 billion) across the 91-day (N39.00 billion) 182-day (N48.45 billion) and 364-day (N166.30 billion) bills. The stop rate on the 91-day (13.60% vs. 13.65%) bill came in lower while the 364-day (18.50% vs. 18.56%) bill recorded a higher stop rate relative to the previous auction. The stop rate on the 182-day (17.20% vs. 17.20%) bill was however unchanged from the last auction's. Noteworthy, the 182-day and 364-day bills were oversubscribed by N2.00 billion and N49.93 billion respectively, with the latter being oversold by N40.00 billion.

Average yield has risen by 24bps to close at 16.92% yesterday since the last auction, as system liquidity remained pressured by the CBN's aggressive mop ups via OMO auctions, as well as forex interventions. Notably, yields on the 91, 182 and 364DTM bills have increased by 32bps, 49bps and 16bps to 16.50%, 17.90% and 18.28%, compared to the 16.18%, 17.41% and 18.12% which similar maturities yielded last week.

Fig 1: Daily Banking System Liquidity (N'bn)

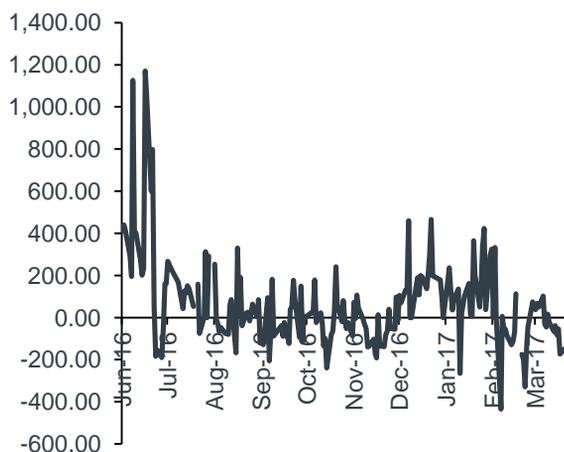
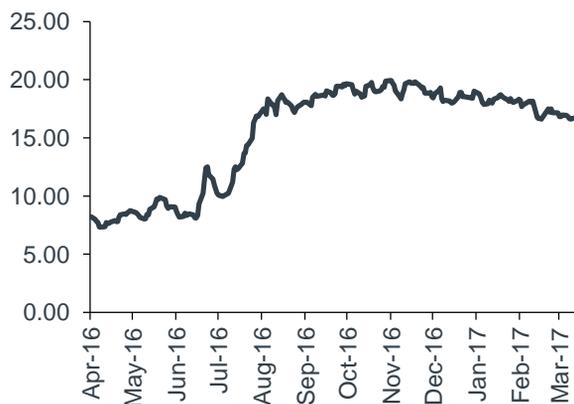


Fig 2: Average T-Bills Yield (%)



Source: CBN, FMDQ, Cordros Research

22 March 2017

Overall, we expect healthy demand at tomorrow's auction, despite continued strain on system liquidity, with stop rates on the 91-day and 364-day bills coming in lower relative to the previous auction, while we expect stop rate on the 182-day bill to come in higher compared to the last auction. See indicative rates above.

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