

NTB Auction Teaser.

Treasury bills worth N234.89 billion will mature tomorrow, 6th April, 2017. This comprises N35.00 billion, N33.49 billion, and N166.40 billion of the 91-day, 182-day, and 364-day bills respectively. In its usual practice, the CBN will offer the same amount at the primary auction, which will hold today, Wednesday, 5th April, 2017.

Table 1: Auction Indicative Rates

| T-Bills | 91D | 182D | 364D |
|-----------------------------|--------------------|--------------------|--------------------|
| Indicative Rates (%) | 13.55-13.65 | 17.20-17.30 | 18.55-18.65 |

Source: Cordros Forecast

Prior to the last auction, trading at the secondary market was bearish, with majority of traded bills recording yield expansion. Unsurprisingly, the selloffs correlated with tight liquidity condition -- as the money market overnight rate surged 85 percentage points (from the previous week's close of 15.00%) to 100.08% a day to the auction. At the last auction, the apex bank fully allotted N134.98 billion across the 91-day (N28.12 billion), 182-day (N23.68 billion), and 364-day (N83.17 billion) bills. The stop rates on the 91-day (13.55% vs. 13.60%) bill came in lower, while the 364-day (18.69% vs. 18.56%) bill recorded a higher stop rate compared to the previous auction. The stop rate on the 182-day (17.20% vs. 17.20%) bill was unchanged from the last auction's. Noteworthy, the 182-day and 364-day bills were oversubscribed by N4.62 billion and N7.21 billion respectively, while the 91-day bill was undersubscribed by N11.07 billion. Activities in the secondary market closed the auction week on a bearish note, with average yield expanding by 44bps w/w to 17.24%, following selloffs at the short (+127bps), mid (+24bps), and long (+10bps) segments of the curve.

Investors remained downbeat in the post-auction week, with yield rising further by 20bps to 17.54%. Specifically, proceedings closed bearish throughout the week amid sustained strain on system liquidity.

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

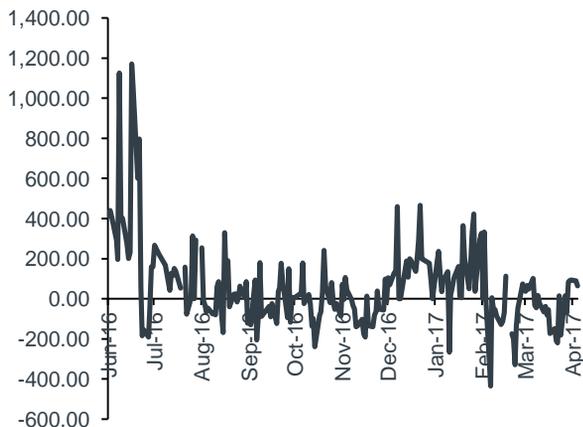
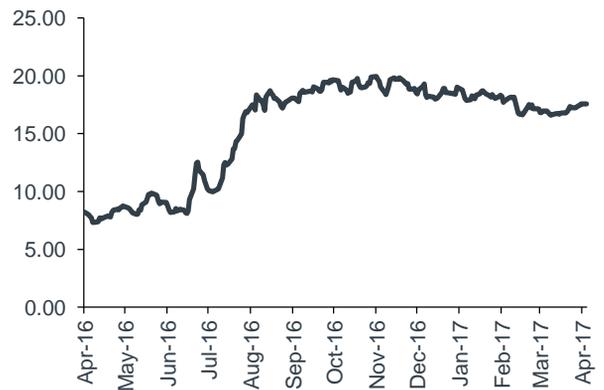


Fig 2: Average T-Bills Yield (%)



Source: CBN, FMDQ, Cordros Research

That said, the NTB market has been quiet this week, following last week's FMDQ broadcast that DMBs are not obliged to provide two-way quote in T-bills between Friday, March 31, 2017 and Tuesday, April 4, 2017; in furtherance to earlier communications on the spike in the number of unsettled trades in recent times, and following a review of outstanding trades' status at close of business on March 28, 2017. Overall, yields have expanded by 46bps, on average, from 17.11% at the last auction day to 17.57% yesterday, reflecting still-tight liquidity position amid persistent OMO auctions and the CBN's FX interventions. In particular, yields on the 91DTM and 182DTM bills closed yesterday at 17.39% and 18.16% respectively, compared to 17.17% and 17.90% which similar maturities yielded two weeks ago. However, yield on the longest maturity is relatively 9bps lower.

On the balance, we expect stop rates on the 91-day and 182-day bills to come in higher relative to the previous auction, while stop rate on the 182-day bill is expected to come in lower compared to the last auction. See indicative rates above.

Important Disclaimers

This document has been issued and approved by Cordros Capital (Cordros) and is based on information from various sources that we believe are reliable. However, no representation is made that it is accurate or complete. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors or fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer or solicitation to any person to enter into any trading transaction.

Investments discussed in this report may not be suitable for all investors. This report is provided solely for the information of Cordros clients who are then expected to make their own investment decisions. Cordros conducts designated investment business with market counter parties and customers and this document is directed only to such persons. Cordros accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for private circulation only and may not be reproduced, distributed or published by any recipient for any purpose without prior express consent of Cordros. Users of this report should bear in mind that investments can fluctuate in price and value. Past performance is not necessarily a guide to future performance.

Cordros and/or a connected company may or may not have a relationship with any of the entities mentioned in this document for which it has received or may receive in the future fees or other compensation. Cordros is regulated by the Securities and Exchange Commission to conduct investment business in Nigeria.