

NTB Auction Teaser.

Treasury bills worth N150.61 billion will mature on Thursday, 4th May, 2017. This comprises N45.18 billion, N23.43 billion, and N82.00 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 tomorrow, Wednesday, 3rd May, 2017.

Table 1: Auction Indicative Rates

T-Bills	91D	182D	364D
Indicative Rates (%)	13.45-13.55	17.25-17.35	18.80-18.90

Source: Cordros Forecast

Prior to the last auction, selloffs dominated the secondary market amid a squeeze on system liquidity (which persistently opened with a negative balance). At the auction, the apex bank raised N89.63 billion (vs. planned N167.52 billion) across the 91-DTM (N12.30 billion vs. N36.79 billion offered), 182-DTM (N25.51 billion vs. N35.00 billion offered), and 364-DTM (N51.82 billion vs. N105.22 billion offered) bills. The stop rate on the 91-DTM (13.60% vs. 13.55%), 182-DTM (17.40% vs. 17.21%), and 364-DTM (18.98% vs. 18.74%) bills came in higher than the previous auction. Noteworthy, the 91-DTM, 182- DTM, and 364-DTM bills were oversubscribed by N1.6 billion, N0.60 billion, and N9.49 billion respectively.

Post-auction, activities in the NTB space continued to reflect movements in liquidity position. On the positive, investor appetite was stoked amid modest improvement in system liquidity, following (1) a net inflow from maturing T-bills worth N77.89 billion, and (2) OMO inflow worth N25.57 billion. Specifically, the magnitude of demand moved average yield southward by 4 bps to 18.48% at the end of the auction week, suggesting that, although the positive swing in system liquidity spurred demand, the apex bank's mopping up activities constituted a drag.

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

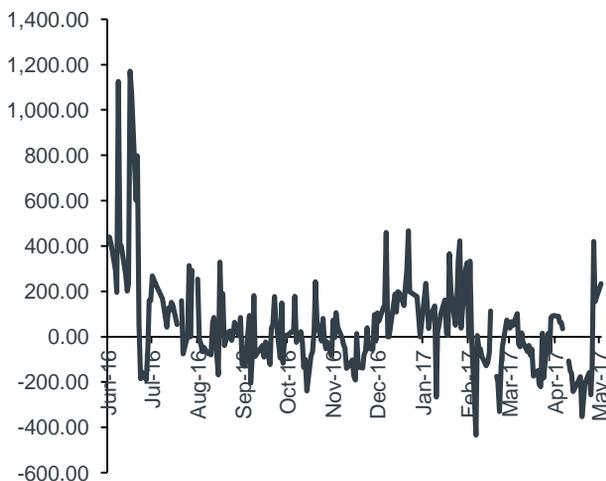
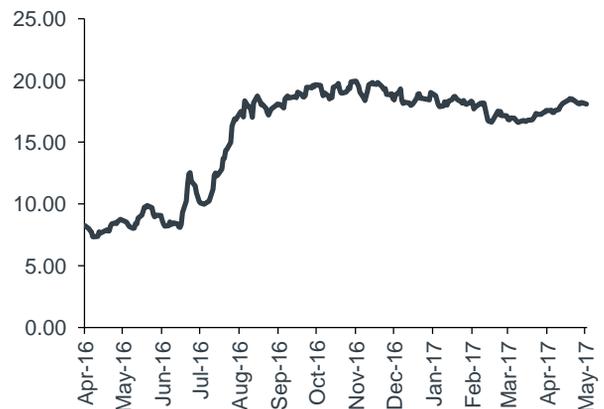


Fig 2: Average T-Bills Yield (%)



Source: CBN, FMDQ, Cordros Research

Still on the impact of liquidity position on proceedings in the T-bills market, notable demand resurfaced last week in the secondary market, driven by expectation of a surge in system liquidity, on the back of considerable cash injections from monthly budgetary allocation (to government agencies) worth N407.81 billion, and bond maturity totaling N516.38 billion. The demand was however short-lived, grappling with withdrawals in the form of debits for FX sales (USD803.43 million), and net OMO outflow (N178.96 billion) during the same week.

Overall, average yield has contracted by 45 bps to 18.07% since the last auction. Specifically, yields on the current 91DTM, 182DTM, and 364DTM are 192 bps, 71 bps, and 52 bps lower than what similar maturities printed two weeks ago.

All said, we expect healthy demand at tomorrow's auction, with stop rates on the 91, 182, and 364-day bills coming in lower relative to the previous 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.