

## NTB Auction Teaser.

Treasury bills worth N117.15.94 billion will mature on Thursday, 1st June, 2017. This comprises N26.14 billion, N11.01 billion, and N80.00 billion of the 91-day, 182-day, and 364-day bills respectively. Customary fashion, the CBN will offer the same amount at the primary auction, which will hold tomorrow, Wednesday, 31st May, 2017.

Table 1: Auction Indicative Rates

T-Bills	91D	182D	364D
<b>Indicative Rates (%)</b>	<b>13.39-13.49</b>	<b>17.00-17.10</b>	<b>18.50-18.60</b>

Source: Cordros Forecast

Prior to the last auction, Investors were downbeat in the T-bills market, owing to the continued pressure on system liquidity. Average yield expanded by 22 bps to 18.86%, following noticeable selloffs across all segments of the curve. At the last auction, the apex bank raised N110.94 billion. The stop rates on the 91-day (13.50%, previously 13.60%), 182-day (17.15%, previously 17.26%), and 364-day (18.70%, previously 18.92%) bills came in lower relative to the last auction. Notably, the 91-day, 182-day, and 364-day were oversubscribed by N5.27 billion, N5.98 billion, and N82.51 billion, respectively.

Post-auction, investors remained down-beat in the secondary market, as the constraint in system liquidity remained elevated. Average yield expanded by 20 bps to 19.08%. Selloffs dominated all segments (short: +31 bps, mid: +23 bps, long: +11 bps) of the curve, particularly driven by OMO sales, wherein the apex bank sold N48.17 billion worth of bills (comprising N0.96 billion of the 154-DTM and N47.21 billion of the 357-DTM) to investors. Coincidentally, the overnight rate was approximately 65.08% during the review period.

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

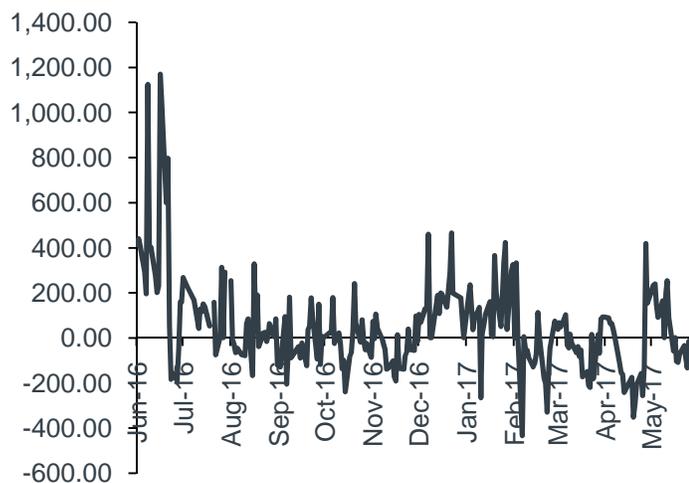
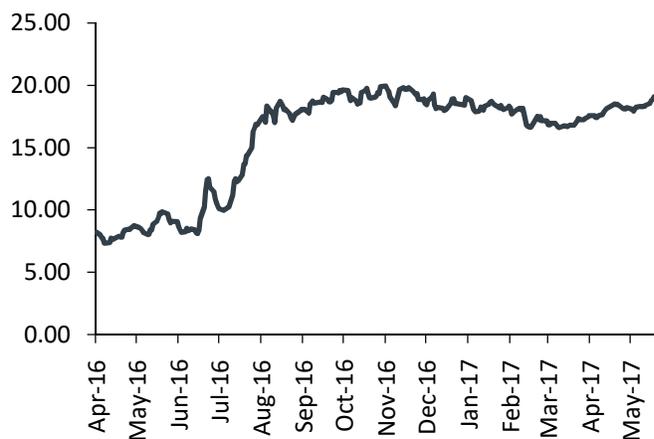


Fig 2: Average T-Bills Yield (%)



Source: CBN, FMDQ, Cordros Research

Still on the impact of liquidity position on proceedings in the T-bills market. Last week, activities were modest, albeit a bullish bias towards the tail end of the week, driven by inflows in the form of (1) cash injections from monthly budgetary allocation worth N496.39 billion, and (2) maturing OMO bills, totaling N131.41 billion. Overall, average yield contracted by 8 bps w/w to close at 19.02%, following demand at the short (-26 bps w/w) and long (-2 bps w/w) segments of the curve, while yield at the intermediate end was unchanged. Specifically, yields on the current 91DTM, 182DTM, are 62 bps, and 67 bps are respectively higher, while yield on the 364DTM is 54 bps lower than what similar maturities printed two weeks ago.

All said, we expect demand to be hearty at tomorrow's auction, owing to an improvement in system liquidity. We expect stop rates on the 91, 182, and 364-day bills coming in lower relative to the previous auction as indicated above.

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