

# NTB Auction Teaser.

Treasury bills worth N119.44 billion will mature on Thursday, 16th November 2017, comprising N32.44 billion, N22.82 billion, and N64.68 billion of the 91-day, 182-day, and 364-day bills respectively. In its usual practice, the apex will offer the same amount at the primary market auction holding tomorrow, Wednesday, 15th November, 2017.

Table 1: Auction Indicative Rates

T- Bills	91D	182D	364D
<b>Indicative Rates (%)</b>	<b>13.00- 13.10</b>	<b>15.15- 15.25</b>	<b>15.50- 15.60</b>

Source: Cordros Forecast

Prior to the last auction, investors were upbeat in the T-bills market, following the relative improvement in system liquidity, with average yield contracting by 40 bps to 17.68%, from the previous week's close of 18.09%. Yields contracted at the short (-120 bps) and long (-17 bps) segments of the curve, outweighing snippets of sell off (+2 bps) at the mid end. At the auction, the apex bank fully allotted bills worth N100.84 billion, comprising N6.10 billion of the 91-DTM, N6.70 billion of the 182-DTM, and N88.04 billion of the 364-DTM bills respectively. Notably, the 364-DTM bill was 2.5x oversubscribed – further reflecting the cessation of the same from the CBN's frequent OMO auctions – while the 91DTM and 182DTM bills were undersubscribed by N16.81 billion and N15.65 billion, respectively.

At the post auction week, bullish sentiment persisted, still supported by relatively improved liquidity position amid inflow from OMO maturity worth N494.73 billion (inclusive of a special OMO maturity worth N300 billion), bringing the overnight lending rate to a 4-week low of 7%. Average yield contracted further by 9 bps to 17.39% from 17.48% on the auction day, with yields trending southward at all ends of the curve as investors were interested in the 7-DEC-2017 (-49 bps), 5-APR-2018 (-54 bps), and 14-JUN-2018 (-44 bps) bills respectively. The rally continued throughout last week, with notable contraction on all trading days of the week and segments of the curve, despite slight strain on liquidity.

This week, investor appetite has remained strengthened, as average yield contracted by 24 bps to 16.49%, (vs. last weeks close of 16.72%), with demand at the short (-65 bps) and long (-16 bps) ends of the curve while snippets of sell-off ensued at the mid (+2 bps) segment of the curve.

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

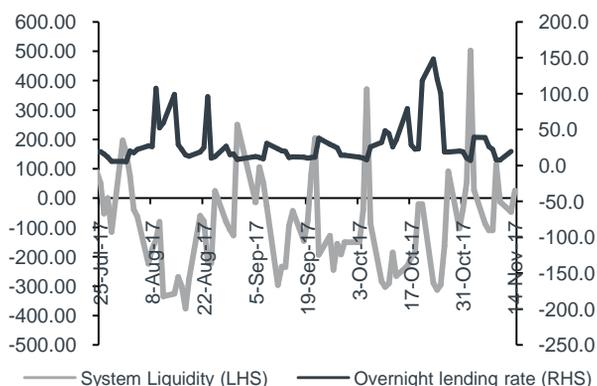
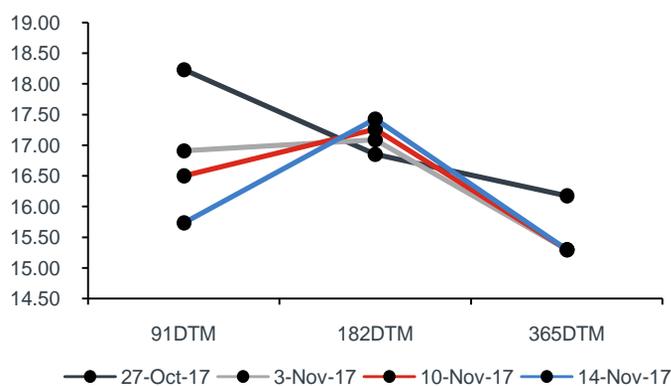


Fig 2: Average T-Bills Yield (%)



Source: CBN, FMDQ, Cordros Research

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Overall, average yield contracted by 120 bps to 16.49%, since the last auction. Specifically, compared to what similar maturities yielded two weeks ago, yields contracted on the current 91DTM, 182DTM, and 352DTM by 108 bps, 4 bps, and 19 bps to 15.74%, 17.43%, and 15.30%, respectively.

At tomorrow's auction, we think demand will persist on the back of improvement in system liquidity to N26.06 billion surplus (vs. N39.11 billion deficit as at previous auction day), in addition to expected inflow from maturing OMO bill worth N141.73 billion on Thursday, with stop rates on the 91DTM, 182DTM, and 364DTM bills coming in lower relative to the previous auction.

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