

The day in review

- Equity market sustained further losses
- Interbank rates ticked higher
- Muted activity in NT-bills market
- Naira depreciated at the I&E window

Looking forward

May 2021 FAAC Disbursement Data - NBS

Daily Insight**June 2021 FGN Bond auction review: Rates party coming to a close?**

Yesterday, the Debt Management Office (DMO) conducted a FGN bond Primary Market Auction (PMA) with the following instruments on offer: 16.2884% FGN MAR 2027 N50.0bn, 12.5000% FGN MAR 2035 N50.0bn and 12.9800% FGN MAR 2050 N50.0bn. As expected, investor demand remained strong as the 2027, 2035 and 2050 instruments were oversubscribed by 1.3x, 2.6x and 4.5x, respectively.

Marginal rates for the 2027 and 2035 instruments were reduced by 36bps and 50bps, respectively to close at 12.7% and 13.5%, from 13.1% and 14.0% at the May auction. Meanwhile, the newly introduced offering, 2050 instruments, closed at 13.7%. Compared to the marginal rate of the 2045s at the last auction, it declined by 50bps. Interestingly, the DMO sold 2.8x (N325.8bn sold vs N150.0bn offered) of what it initially offered, taking advantage of the huge bids from investors at the auction.

Yesterday's auction lends further credence to our position that the upward yield reversal in the fixed income market has plateaued. This is consistent with the results of the NTB auction last week and the most recent MPC meeting. In subsequent trading sessions, we expect to observe some buy interest in the secondary bond market as residual demand is met. We also think that yesterday's auction will set the tone for secondary market activity (bonds & NTB) this week and upcoming primary market auctions. Lastly, regarding the equity market, we reiterate that the recent halt in the yield environment in the primary market coupled with potential dividend plays during the H1 earnings season could provide some temporary respite for the market. That said, we do not expect the equities market to stage a sustained rebound similar to 2020's performance.

Headline	Level	1 day	YTD
NSE ASI	37,804.5	▼ -0.1%	▼ -6.1%
Mkt. Cap (N'bn)	19,703.0	▼ -0.1%	
Mkt. Cap (\$'mn)	47,881.0	▼ -0.1%	
Value (N'mn)	1,602.5	▼ -41.2%	
Value (\$'mn)	3.9	▼ -41.4%	
Volume	208.4	▼ -4.5%	
Deals	3,365		
Market Breadth	0.5x		

T-Bills Yields	Current	Previous	%Δ
3 months	4.85	4.85	0.00
6 months	6.27	6.27	0.00
12 months	9.74	9.74	0.00

Bonds Yields	Current	Previous	% Δ
3 years	11.83	11.83	0.00
5 years	12.52	12.52	0.00
7 years	12.46	12.46	0.00
10 years	12.47	12.47	0.00

Currencies	Current	Previous	% Δ
Parallel	500.00	500.00	0.0%
NAFEX	411.50	410.00	-0.4%

Other Key indices	Current	Previous	% Δ
OBB	20.0	18.8	▲ 1.25
OVN	21.0	19.3	▲ 1.75
Brent	75.2	74.8	▲ 0.51

	1 day	MTD	YTD	P/E (x)	Div. Yld.
Agriculture	0.0%	▲ 3.6%	▲ 10.2%	0.0	0.0%
Banks	▼ -0.8%	▼ 1.0%	▼ -8.4%	3.4	9.7%
Consumer	▲ 0.2%	▲ 1.4%	▼ -0.6%	120.4	3.5%
Industrial	▲ 0.0%	▼ 1.4%	▼ -7.1%	17.5	4.9%
Insurance	▼ -0.5%	▼ -3.7%	▲ 3.9%	3.9	5.1%
Oil & Gas	▼ -0.1%	▲ 1.5%	▲ 38.7%	na	4.3%
Mkt. Avg. P/E	12.8			Mkt. Avg. Div. Yld	5.2%

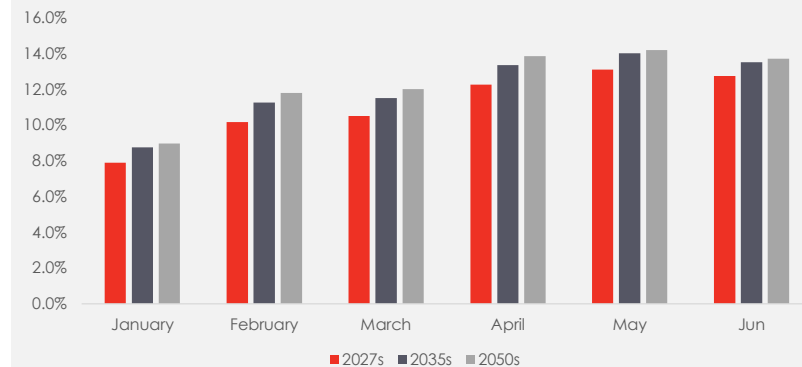
*P/E's are based on the last twelve months trailing earnings

*Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today

Equities	Level	1 day	YTD	P/E (x)	Div. Yld.
BRVM	160.0	▼ -0.6%	▲ 10.1%	9.7	5.8%
Egypt	10,272.7	▲ 0.7%	▼ -5.3%	10.2	1.7%
Ghana	2,643.5	▲ 0.0%	▲ 36.3%	n/a	n/a
Kenya	172.3	▼ -0.4%	▲ 13.3%	14.2	2.2%
Mauritius	1,824.7	▼ -0.2%	▲ 10.7%	n/a	1.9%
Morocco	328.7	▲ 0.2%	▲ 7.8%	29.9	3.3%
MSCI FM	551.1	▲ 0.2%	▲ 11.6%	12.8	2.5%
South Africa	65,819.6	▲ 0.4%	▲ 10.8%	19.7	2.6%
Tunisia	7,311.5	▼ -0.2%	▲ 6.2%	26.0	2.0%
Zimbabwe	130,664.4	▲ 0.1%	▲ 182.0%	7.0	2.1%

Average FGN Bond Auction marginal rates in 2021

Source: Debt Management Office, United Capital Research

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