



2024 FIXED INCOME MARKET REVIEW

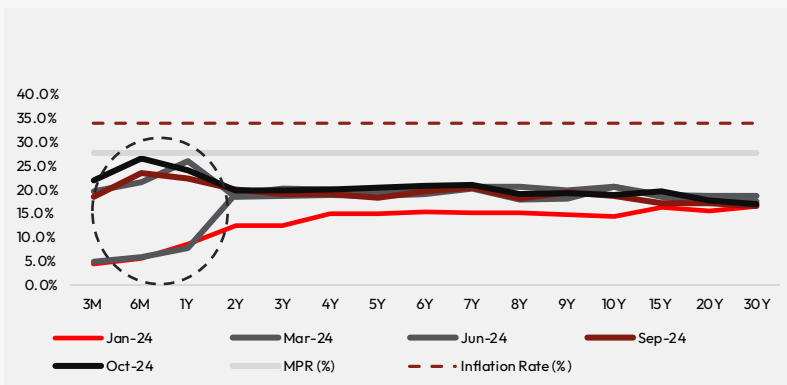
INVERTED YIELD CURVE: RAISED SHORT-TERM YIELDS DIMINISHED INVESTOR INTEREST IN BONDS

Investors interest towards duration exposure was lacklustre for the better part of 2024

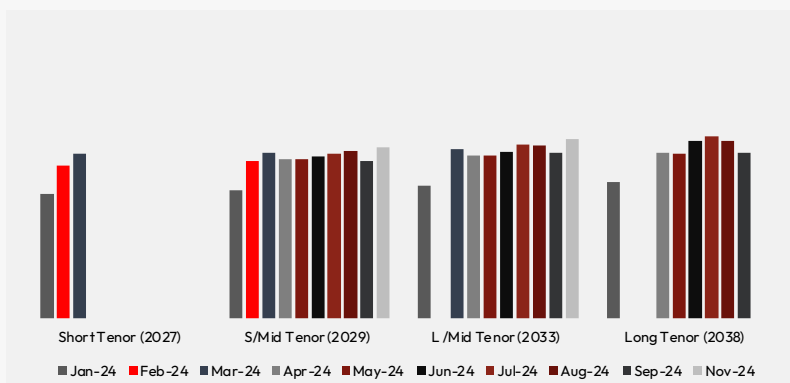
Total Offer vs Total Subscription vs Total Sales at DMO Auction



Yields on short-term instruments become more attractive than yield on duration-exposed instruments

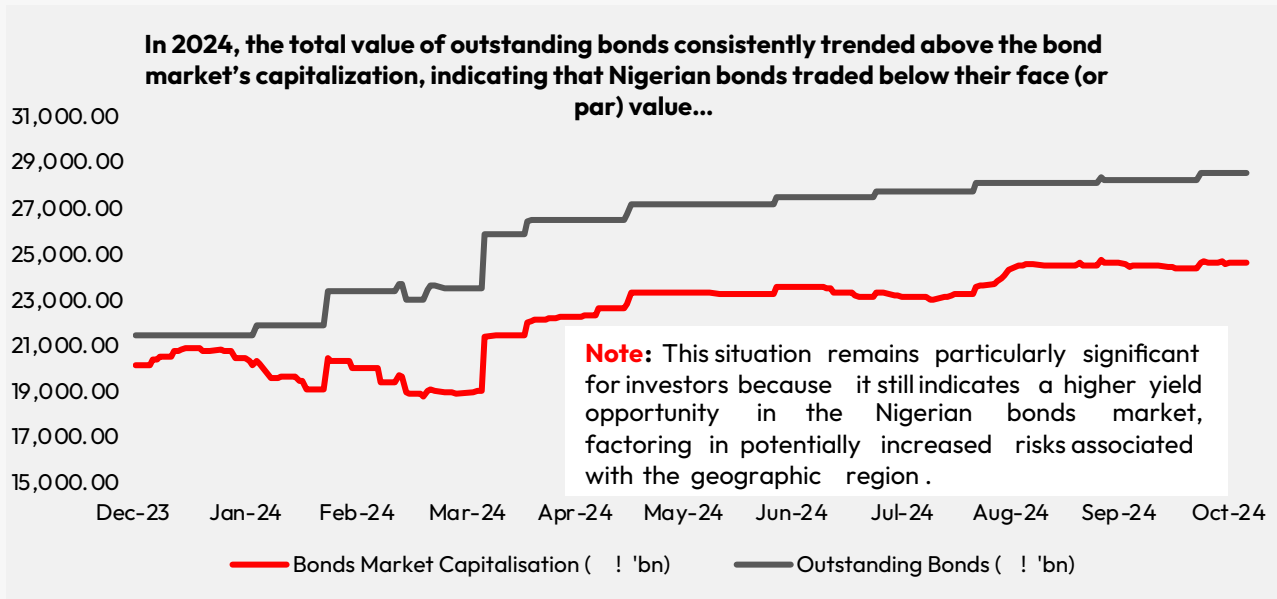


We observed at the primary market, with focus tilting more towards shorter-end of the bond curve. Marginal Rates on Bond Papers (@PMA)

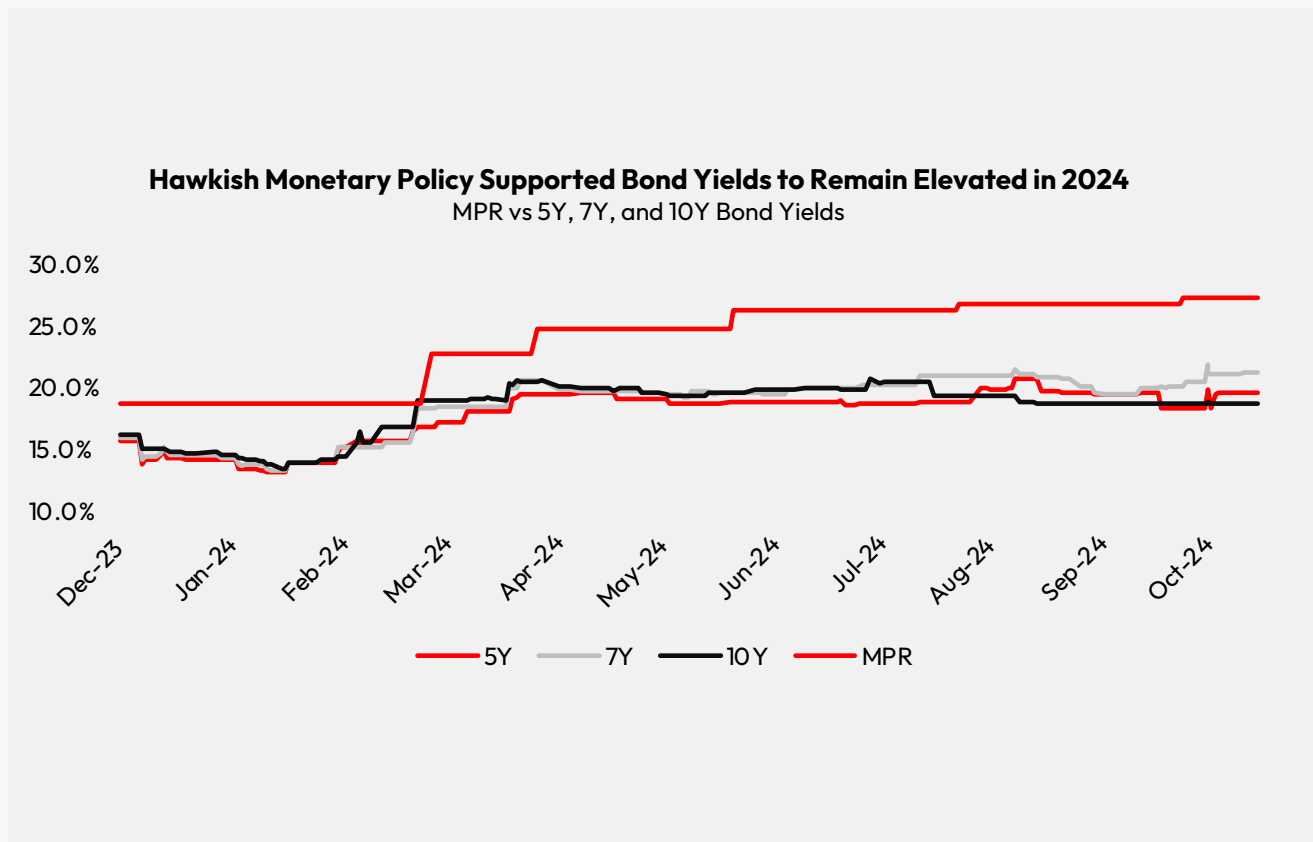


- The market for sovereign duration-exposed instruments ("long-dated bonds") was relatively quiet in 2024 (particularly at the secondary market), given the elevated level of short-term duration instruments in the same period.
- Uncertainty surrounded bond supply in H1-2024 due to irregular auction calendars. The FG conducted sporadic bond auctions, in H1-2024, raising 85.0% (N4.67trn) of the total amount (N5.48trn) raised in 2024. The proceeds from the bond auctions conducted were used for budgetary support and clearing out a significant portion of FG's outstanding Ways and Means with the CBN.
- Ultimately, factors that drove bond yields/prices in 2024 include: supply and demand fundamentals, system liquidity, and MPR movements.

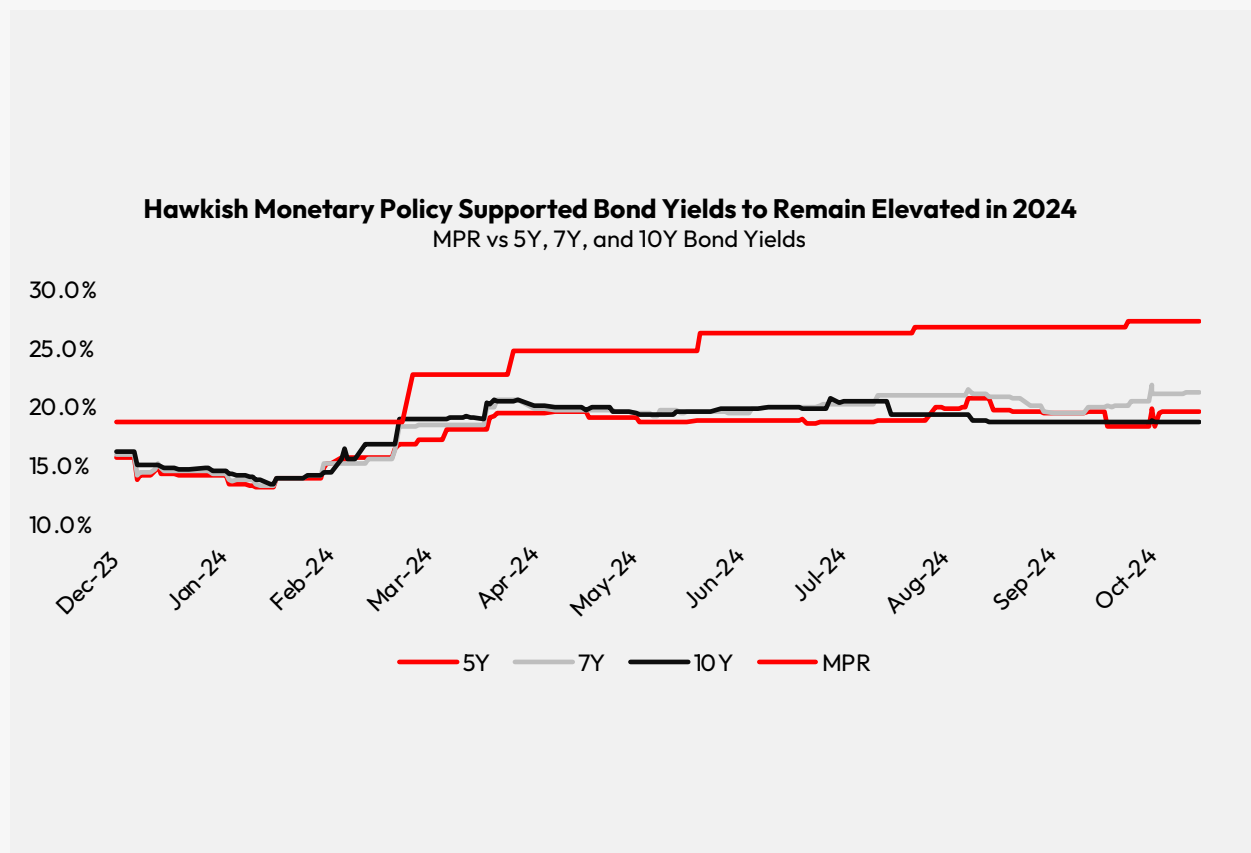
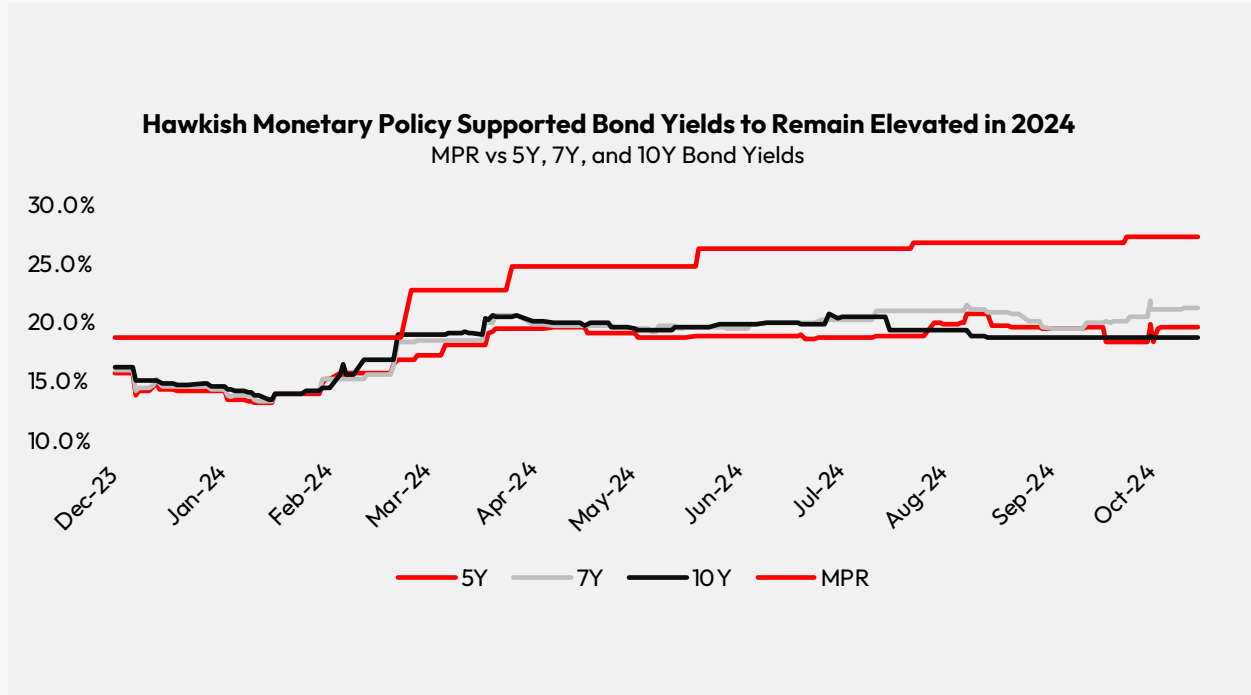
HAWKISH MONETARY POLICY SUPPORTED BOND YIELDS TO REMAIN ELEVATED IN 2024



Key Drivers of Bond Yields/Prices in 2024

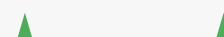


HAWKISH MONETARY POLICY SUPPORTED BOND YIELDS TO REMAIN ELEVATED IN 2024



MPR HIKES IN 2024 TIGHTENED FINANCIAL CONDITIONS FOR CORPORATES IN THE CAPITAL MARKET

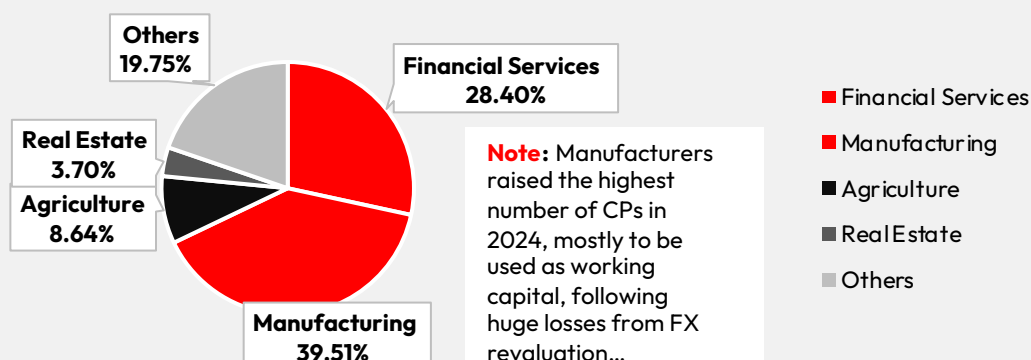
Average Rates for Non-Sovereign Securities				
Type	Tenor	Q1-2024	Q2-2024	Q3-2024
CPs	≤90D	-	-	17.00%
	91D – 180D	16.96%	21.13%	24.19%
	181D – 270D	17.00%	21.09%	24.54%
Non-Sovereign Bonds/Corporate Bonds	≤5Y	16.00%	18.00%	21.50%
	>5Y – 10Y	-	18.00%	21.50%



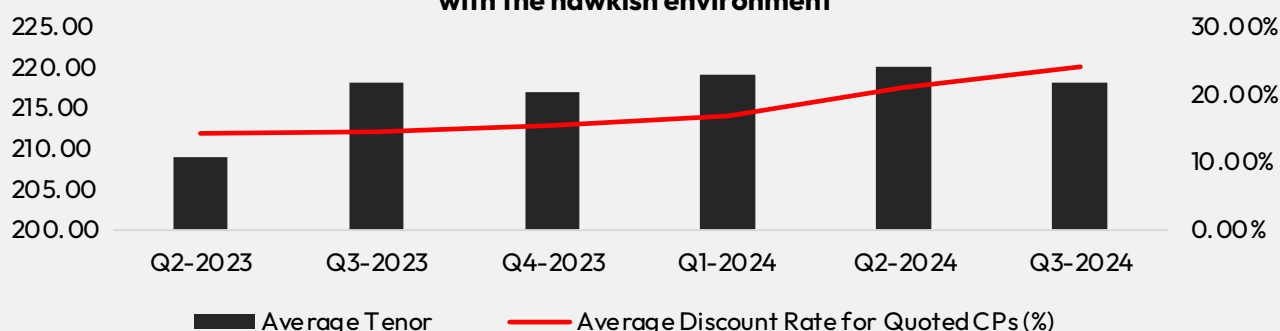
In 9M- 2024 four (4) Non-Sovereign Bonds (Corporate Bonds) with total face value of N69.05bn were listed on FMDQ Exchange, representing 78.55% y/y decline from N321.92bn in 9M-2023 (which saw 7 corporate bonds listings, with total face value of N321.92bn).

Meanwhile, a total of 127 Commercial Papers (CPs) with face value N868.87bn, representing 36.67% y/y decline from N1,371.96bn (which saw 195 corporate bonds listings, with total face value of (N321.92bn).

Sectoral Allocation of Quoted CPs

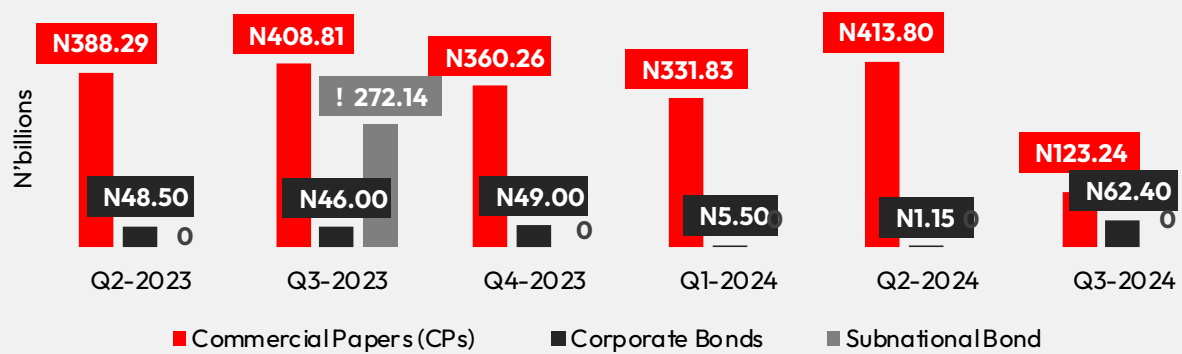


Discount rate on Commercial Papers (CPs) trended higher in 2024, in line with the hawkish environment

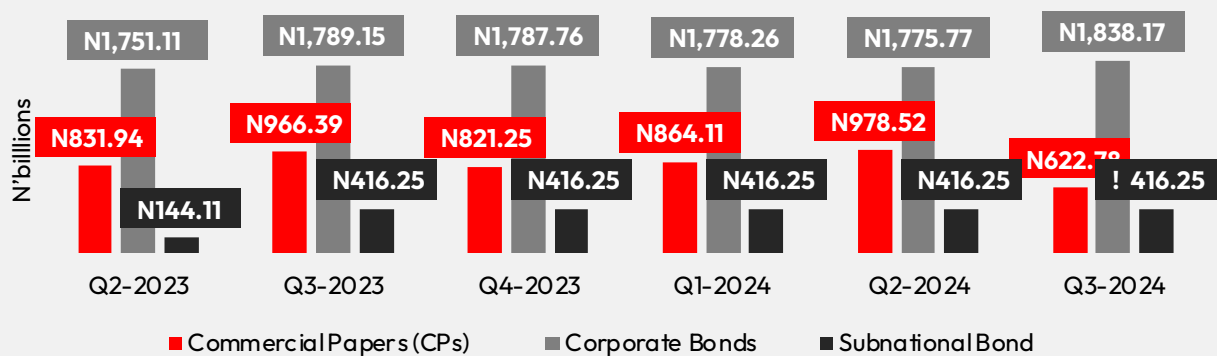


MPR HIKES IN 2024 TIGHTENED FINANCIAL CONDITIONS FOR CORPORATES IN THE CAPITAL MARKET

2024 Listings/Quotation Size (N'bn)



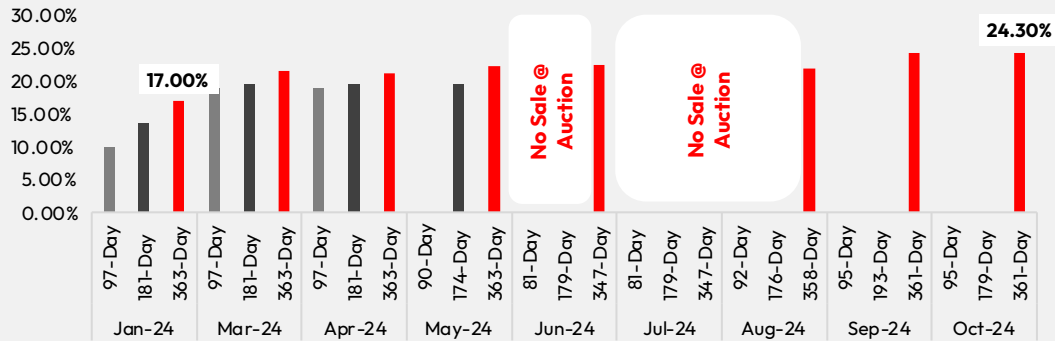
Total Outstanding Value (N'bn)



■ CBN'S OMO-CENTRIC APPROACH: SHAPING 2024'S LIQUIDITY LANDSCAPE

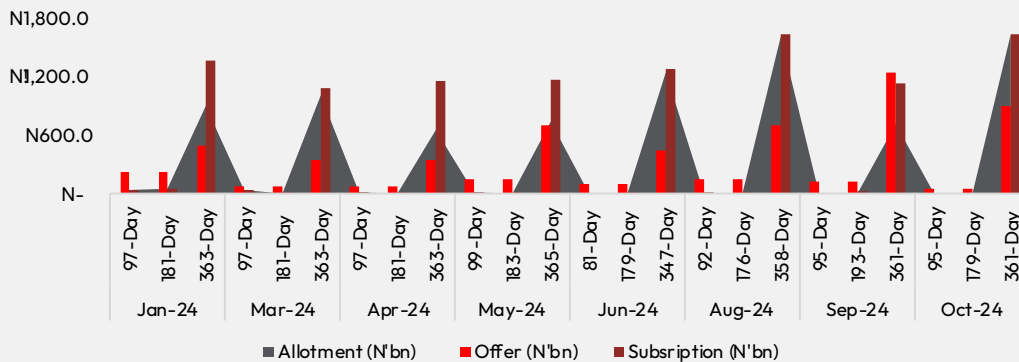
Given the CBN's preference for Open Market Operations (OMO), it became increasingly hard to manage investor's demand for higher rates

Stop Rates @ Open Market Operations in 2024



Demand for short term instruments was very much heightened in 2024, given their elated yield levels

2024 OMO Auctions (Offer vs Subscription vs Allotment)

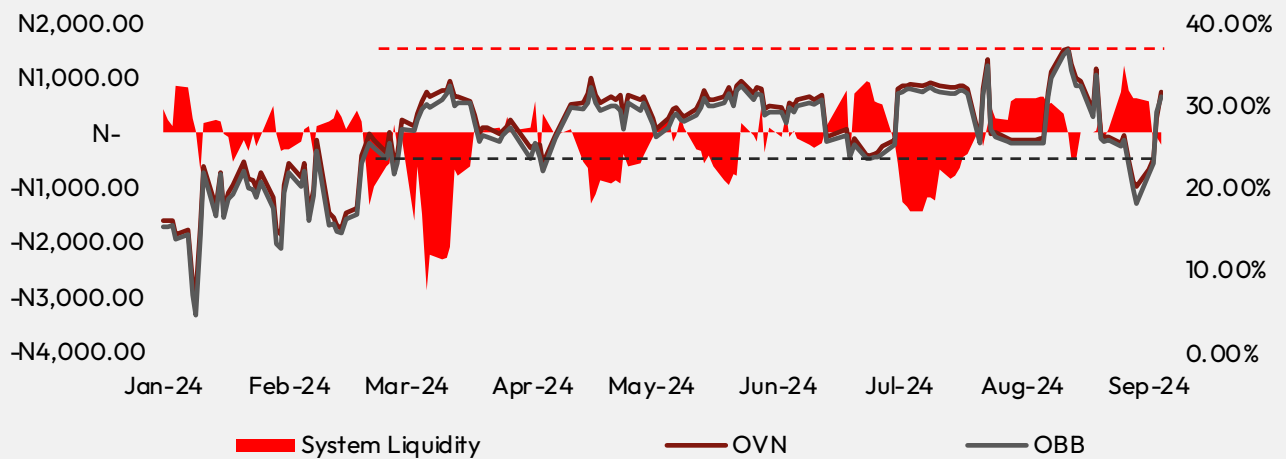


- In 2024, the CBN retained preference for Open Market Operations (OMO), as its favourite mop-up mechanism in its system liquidity management. System liquidity was positively impacted by improved FAAC payments, increased inflows from bond coupons, OMO maturities and CRR refunds. A positive correlation between system liquidity (particularly from FAAC payments) and exchange rate volatility was eventually identified.
- OMO played a key role in the CBN's strategy to sustain high interest rates and attract FPIs. The CBN aggressively mopped up liquidity, selling N8.70trn in OMO bills (1,092.00% y/y increase from N728.00bn in 2023). This kept interbank funding rates elevated, underpinned by the deficit situation of the financial system.

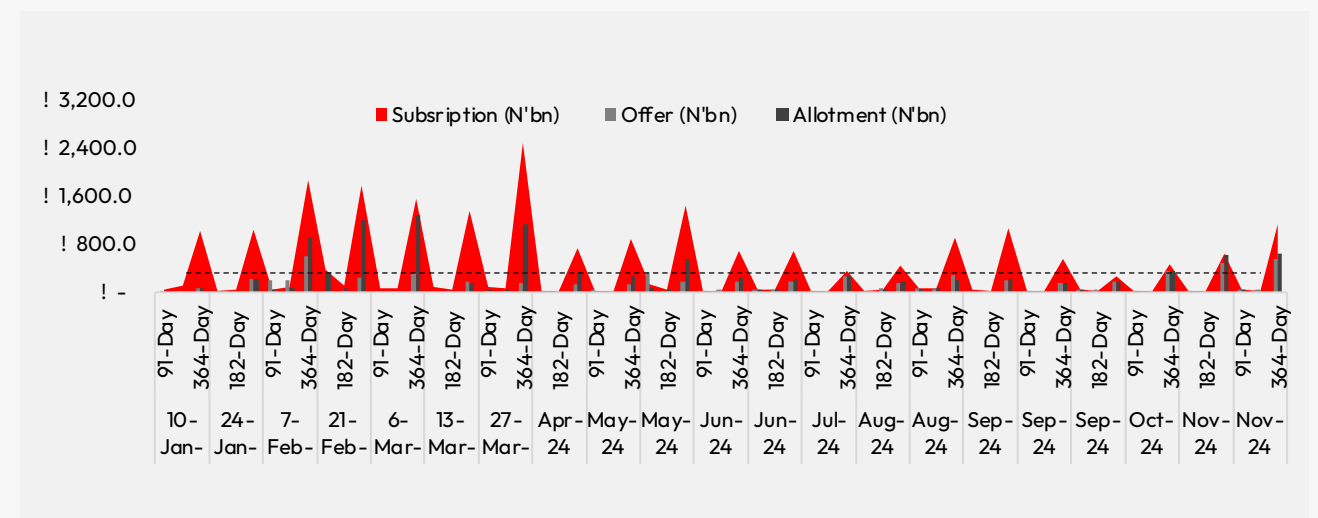
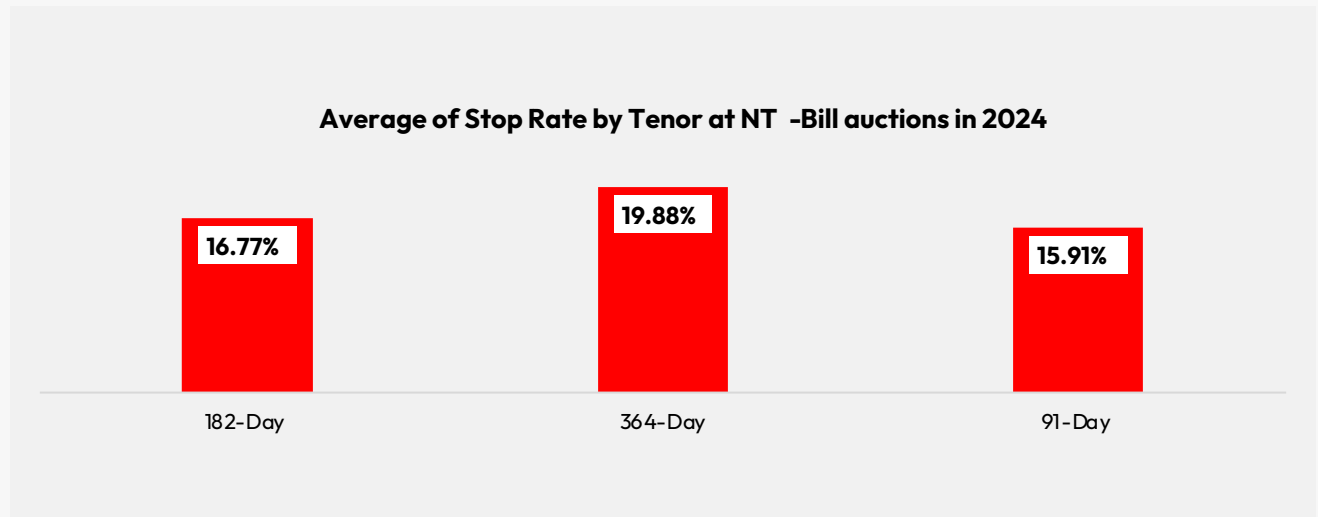
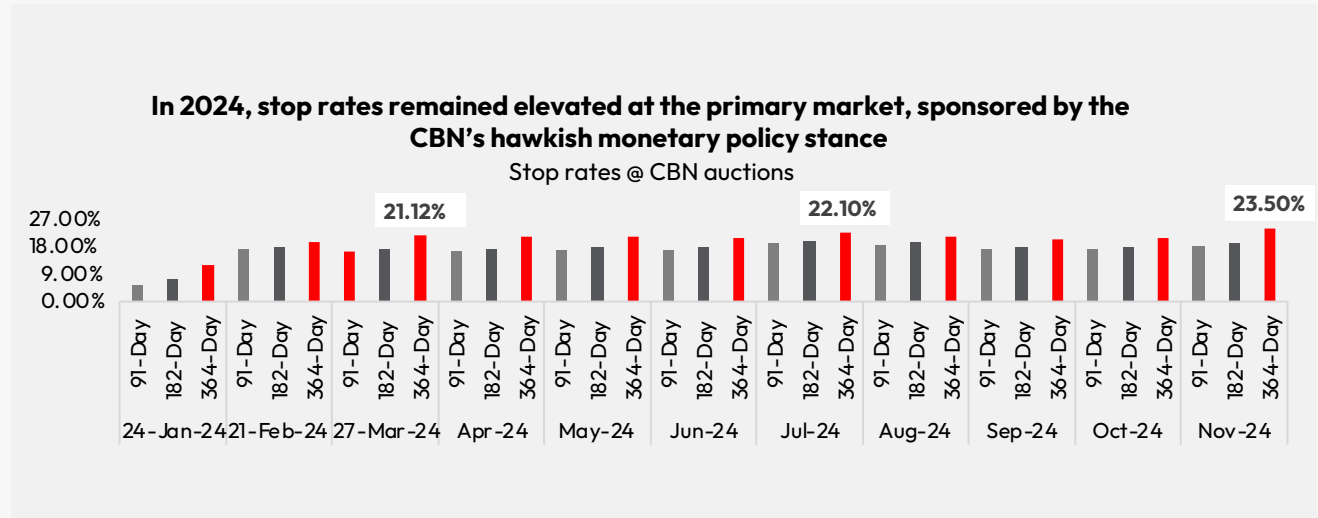
■ CBN'S OMO-CENTRIC APPROACH: SHAPING 2024'S LIQUIDITY LANDSCAPE

**Funding rates between banks fell, albeit
remaining in the double digit terrain**

System Liquidity vs Overnight Rate vs Open Repo Rate

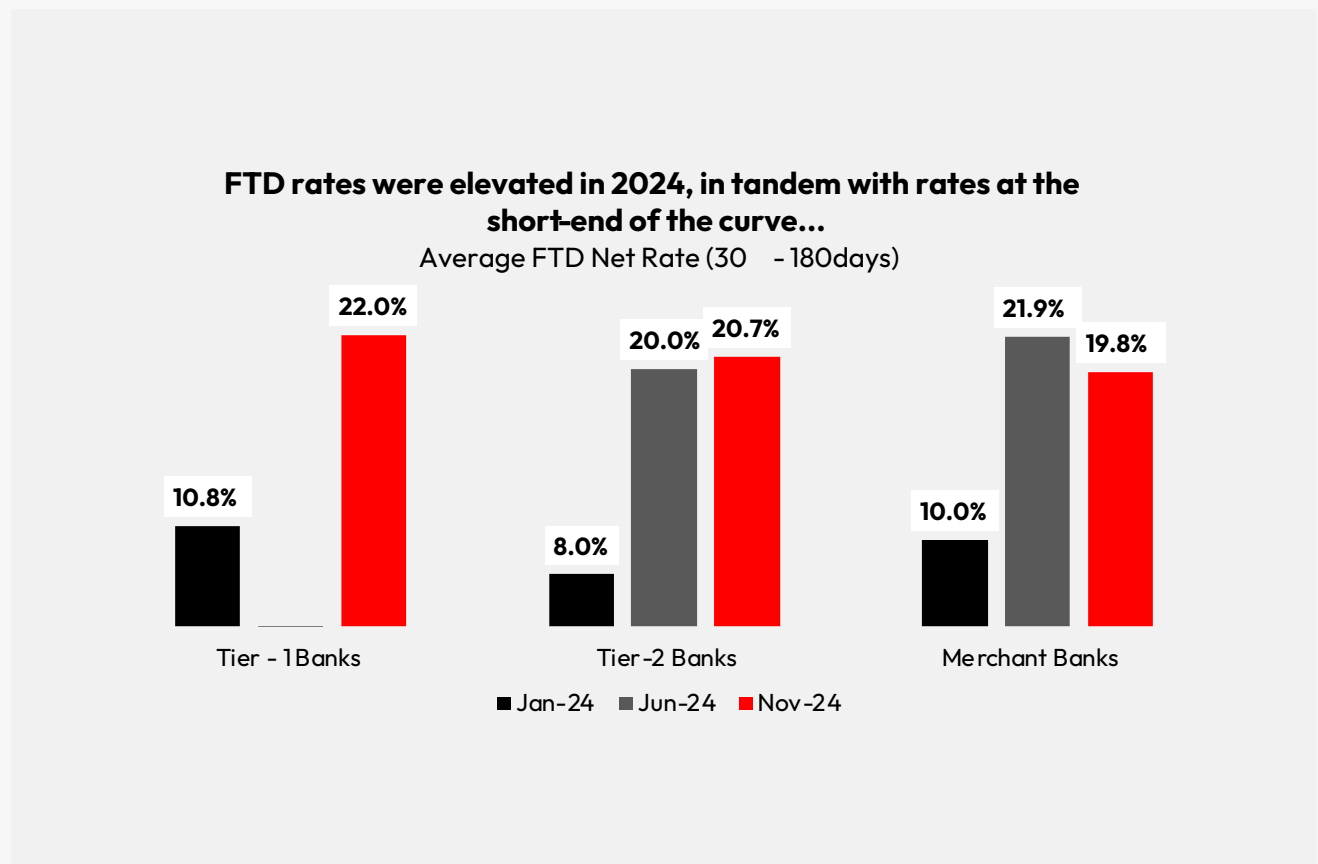
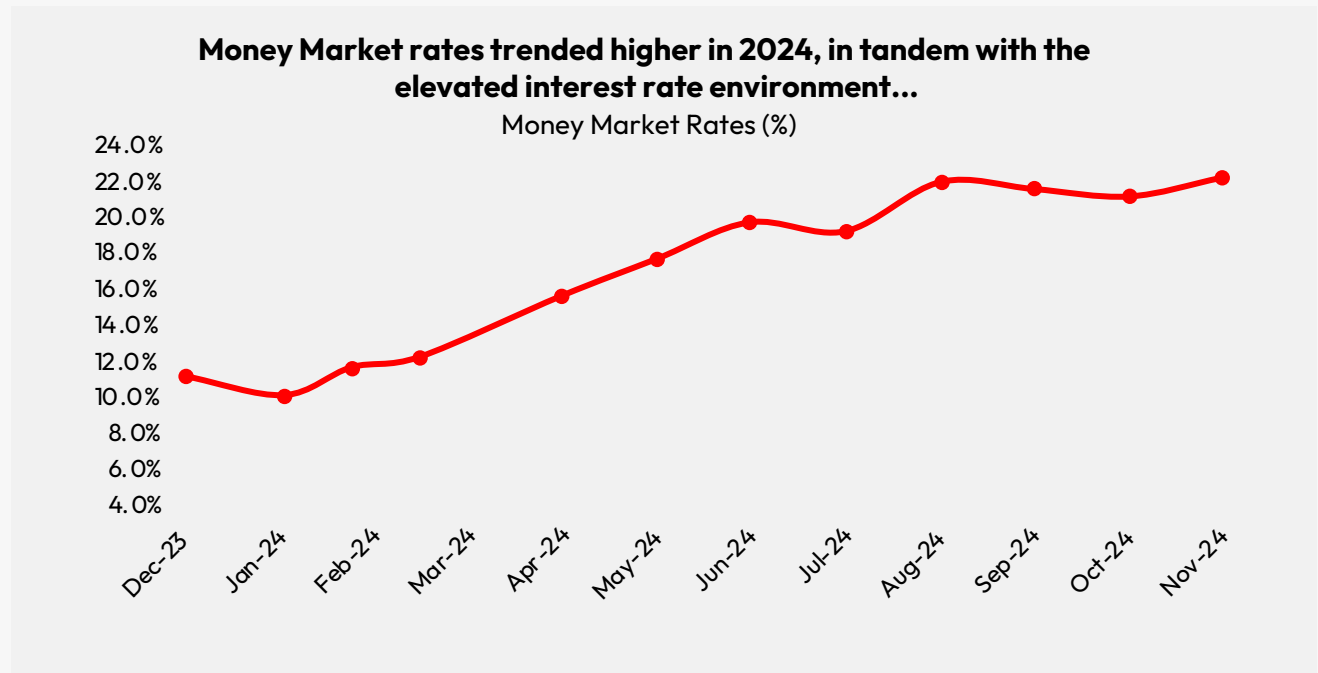


YIELDS ON SHORT TERM INSTRUMENTS SURGED HIGHER THAN BOND YIELDS IN 2024

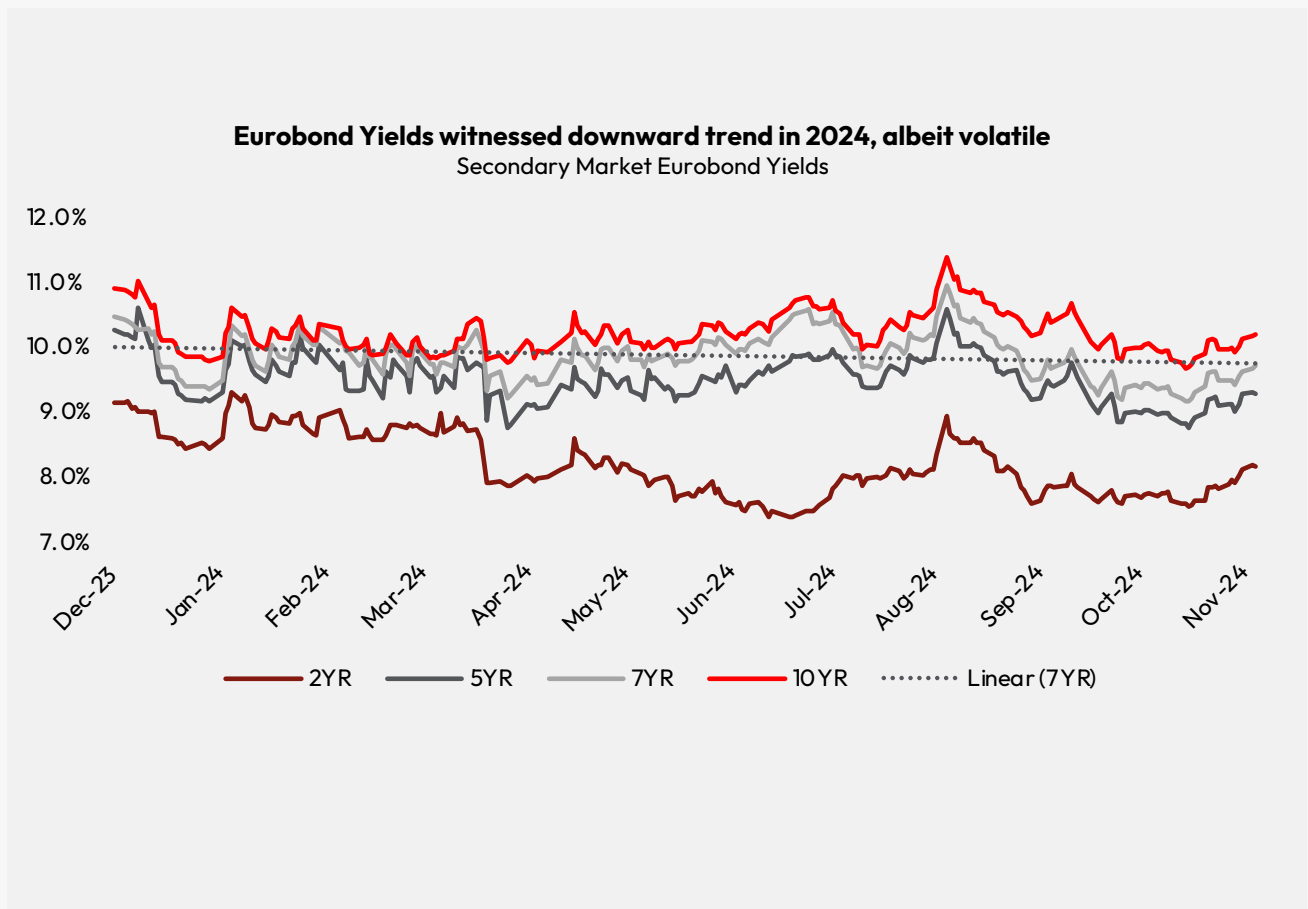
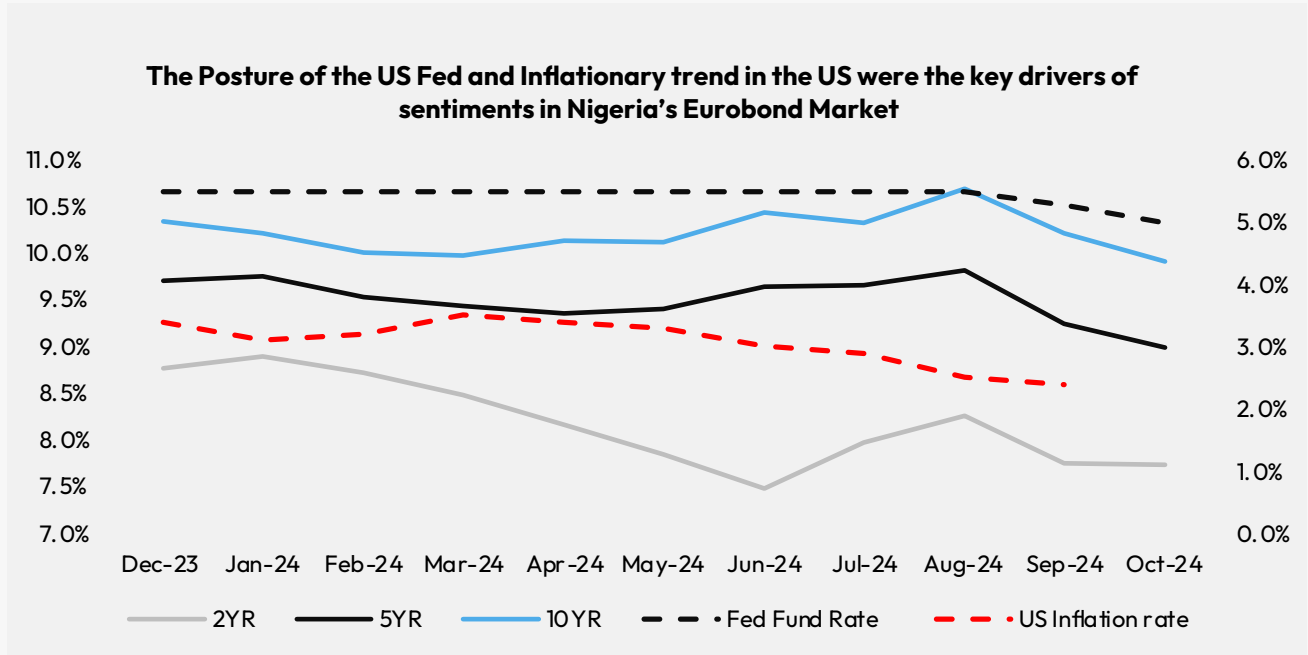


YIELDS ON SHORT TERM INSTRUMENTS SURGED HIGHER THAN BOND YIELDS IN 2024

Other Short-term Instruments saw Yields Elevated in 2024



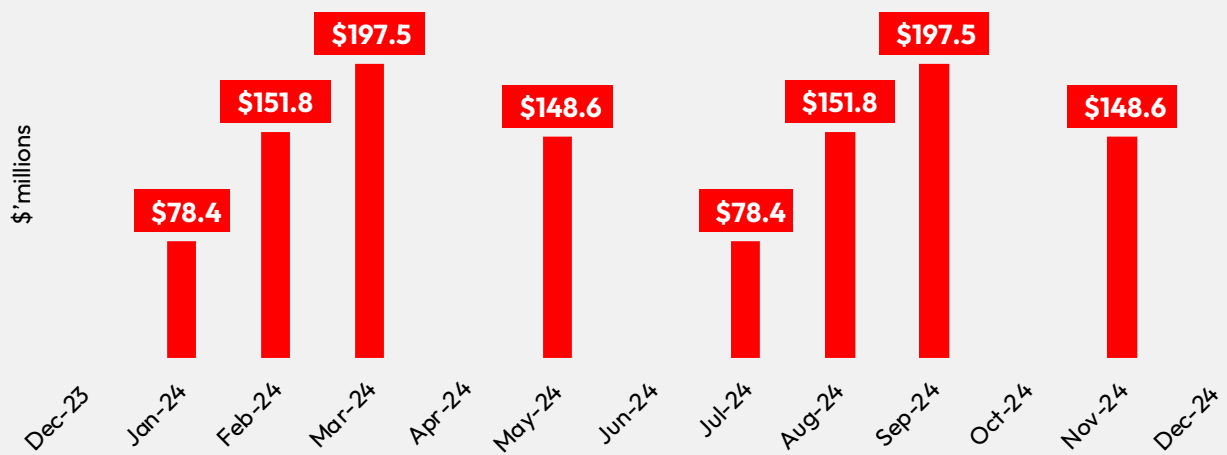
■ EUROBOND YIELDS WITNESSED DOWNWARD TREND IN 2024, ALBEIT VOLATILE



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Inflows from Eurobond maturities (\$1.15bn) encouraged buy-interests at intervals in 2024...

Eurobond Maturities(\$'mn)



Nigeria Eurobonds Curve

