

Tuesday, September 7, 2021

The day in review

- Equity market closed flat
- Interbank rates ticked lower
- Bearish activity in T-bills market
- Naira appreciated at NAFEX window

Looking forward

NT-Bills Primary Market Auction - CBN

Daily Insight

CBN NTB Primary Market Auction Review

The Central Bank of Nigeria (CBN) is scheduled to conduct a Primary Market Auction (PMA) to rollover N138.2bn worth of maturing treasury bills today (8/09/2021). Clearly, following the upward pressure on interest rates in the first half of the year, sovereign debt managers have leaned towards driving sustained downward pressure on the yield environment. This comes as the Federal Government's (FG) cost of funding continues to pile pressure on budget performance. In H1-2021, the FG spent c.90.0% of its revenue on debt servicing. Giving the foregoing, we review the last auction and provide our expectations for the upcoming auction.

At the previous auction, the Central bank sold N307.3bn worth of bills as against N157.2bn offered. Overall, the auction received total bids of N394.1bn as investors' appetite for bills remained strong. Notably, the 91-day and 364-day bills were oversubscribed by 1.6x and 3.0x, respectively. On the flip side, investor interest for the 182-day bill was lukewarm posting a subscription rate of 0.7x. Stop rates remained unchanged from the previous auction at 2.50% and 3.50% for the 91-day and 182-day bill. While stop rates for the long-tenor paper continued to moderate, dipping by 55bps to 6.80% from 7.35%.

Ahead of the PMA, we expect investors' appetite to remain robust, thus driving sustained oversubscription, and moderation of stop rates for the 364-day paper, we expect demand for bills to spill into the secondary NTB market, sparking bullish sentiment. Lastly, we are cautiously optimistic that the further moderations in the stop rates at PMA's could serve as a potential trigger for a potential asset switch and rally in the equities market.

Headline	Level	1 day	YTD
NSE ASI	39,251.3	▼ 0.0%	▼ -2.5%
Mkt. Cap (N'bn)	20,450.6	▼ 0.0%	
Mkt. Cap (\$'mn)	49,798.0	▼ 0.0%	
Value (N'mn)	2,871.9	▲ 107.5%	
Value (\$'mn)	7.0	▲ 107.8%	
Volume	355.9	▲ 68.7%	
Deals	4,241.0		
Market Breadth	0.7x		

T-Bills Yields	Current	Previous	%Δ
3 months	3.51	3.19 ▲	0.32
6 months	4.46	4.33 ▲	0.13
12 months	6.67	6.67	0.00

Bonds Yields	Current	Previous	% Δ
3 years	9.90	9.90	0.00
5 years	10.57	10.54 ▲	0.03
7 years	11.21	11.21	0.00
10 years	11.56	11.51 ▲	0.05

Currencies	Current	Previous	% Δ
Parallel	532.00	532.00	0.0%
NAFEX	410.67	411.13 ▲	0.1%

Other Key indices	Current	Previous	% Δ
OBB	7.0	8.0 ▼	-1.00
OVN	7.3	8.5 ▼	-1.25
Brent	71.7	72.2 ▼	-0.71

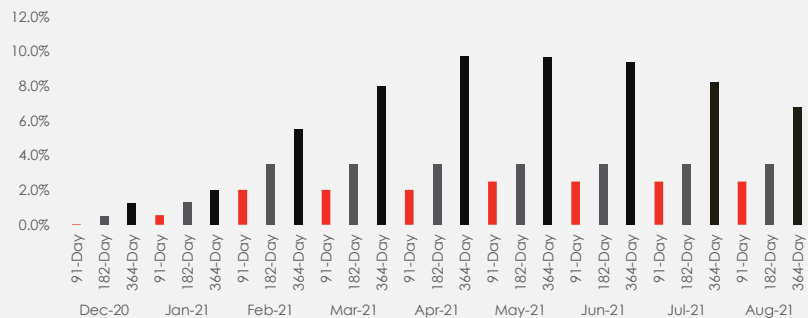
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	0.0%	17.1%	na	na
Banks	0.5%	0.4%	-3.7%	3.1	8.9%
Consumer	-0.4%	-1.0%	-4.6%	72.5	3.7%
Industrial	0.0%	0.6%	-4.5%	16.6	4.8%
Insurance	0.0%	0.3%	1.1%	9.7	2.9%
Oil & Gas	0.3%	-1.1%	61.1%	11.1	4.1%
Mkt. Avg. P/E		10.4		Mkt. Avg. Div. Yid	5.3%

*P/Es 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. Yid.
BRVM	176.4	▼ -0.2%	▲ 21.4%	9.7	6.2%
Egypt	11,301.4	▲ 0.2%	▲ 4.2%	9.9	1.4%
Ghana	2,753.6	▲ 0.1%	▲ 42.0%	15.2	4155.3%
Kenya	181.0	▼ -0.7%	▲ 19.0%	13.5	3.3%
Mauritius	1,953.3	▼ -0.2%	▲ 18.5%	na	2.0%
Morocco	332.6	▼ 0.0%	▲ 9.1%	28.4	3.7%
MSCI FM	660.8	▲ 0.1%	▲ 15.6%	15.4	2.6%
South Africa	66,478.9	▼ -0.3%	▲ 11.9%	13.3	3.7%
Tunisia	7,346.5	▲ 0.1%	▲ 6.7%	22.8	2.2%
Zimbabwe	148,974.1	▲ 2.8%	▲ 221.6%	7.7	1.9%

Stop rate at NT-bills auctions continue to decline amid sovereign debt manager's bias towards driving the yield environment lower
Month-end NTB PMA Stop Rates



Source: CBN, United Capital Research

Contact us

- Research** | +234-1-631-7898
research@unitedcapitalplcgroup.com
- Trustees** | +234-1-631-7877
trustees@unitedcapitalplcgroup.com
- Securities Trading** | +234-1-631-7891
securities@unitedcapitalplcgroup.com
- Investment Banking** | +234-1-631-7883
investmentbanking@unitedcapitalplcgroup.com
- Asset Management** | +234-1-631-7876
assetmanagement@unitedcapitalplcgroup.com