

Nigeria Global Markets Update

22 January 2018

Money markets

The overnight and OBB rates rose to close the week at 17.67% and 16.67%, from the previous day's respective 5.75% and 5.25%. The rise was due largely to tight market liquidity following the liquidity mop-up by the CBN via the OMO auction, as well as the retail FX auction announced Friday.

Interbank spot: USD/NGN

The CBN continues to be the primary supplier in the NIFEX market, with its periodic Wholesale and Retail Secondary Market Intervention Sales (SMIS) programme.

Turnover in the NAFEX market dipped marginally to US\$1.42bn last week, from US\$1.48bn the previous week. The FX rate has remained stable on the back of sustained interest in the local fixed income and equity capital markets.

We expect the pair to continue to trade in the 360-362 range in the short term.

Offer rates	18-Jan	19-Jan	Change
NIFEX	331.31	331.16	↓ 0.15
NAFEX	360.20	360.50	↑ 0.30

Commodities

OPEC and Russia reaffirmed that they'll persevere with oil-production cuts until year-end to clear a global glut and signalled their readiness to co-operate beyond that.

Russia is prepared to continue co-operating with OPEC and its de-facto leader, Saudi Arabia. This, even after the cuts expire, Energy Minister Alexander Novak said in a Bloomberg interview held jointly with his Saudi counterpart. Producers should keep limits on output through 2018, as the market may re-balance at the end of the year or in 2019. Neither minister said whether the cuts would continue in 2019. (Bloomberg)

Fixed income

The fixed income market ended the week on a largely bearish note, as yields tended north on most maturities.

The short end of the curve rose by an average of 45bp on the day, fuelled by high funding costs due to tight market-liquidity conditions.

Similarly, the long end of the curve saw some profit-taking into the close of the week, as demand for duration weakens ahead of this week's bond auction.

We expect yields to remain elevated in the T-bill space, as tight liquidity continues to put upward pressure on short-term yields. The FGN bonds space may also see the bearish trend persist – particularly on the maturities slated for next week's bond auction.

Tenor	01-Jan	19-Jan	Change (bp)
91-day	13.06	13.88	↑ 0.82
182-day	14.71	15.38	↑ 0.67
364-day	15.59	15.59	→ -
Jun-19	13.22	13.22	→ -
Feb-20	13.33	13.33	→ -
Jul-21	13.17	13.53	↑ 0.36
Jan-22	13.20	13.20	→ -
Mar-24	13.28	13.36	↑ 0.08
Jan-26	13.25	13.31	↑ 0.06
Mar-27	13.30	13.40	↑ 0.10
Jul-34	13.20	13.26	↑ 0.06
Mar-36	13.22	13.22	→ -
Apr-37	13.19	13.24	↑ 0.05

	Current rate (%)		Current
LIBOR 30-day	1.55613	Brent Crude	US\$69.31
NIBOR 30-day	13.6346	NAFEX (Offer rate)	361.50
NIBOR 90-day	14.7063	Reserves (as at 16 Jan 2018)	US\$39.79bn

RMB Nigeria indicative term deposit rates¹

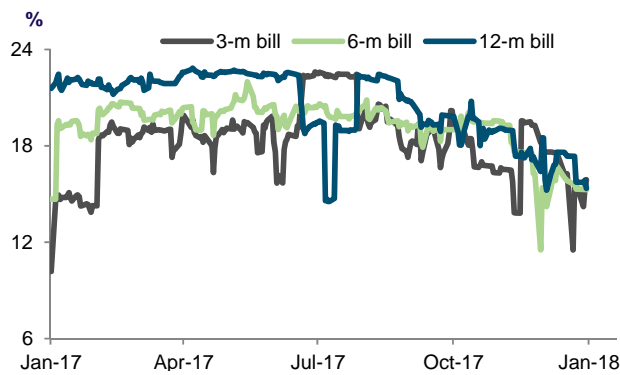
NGN	CALL	1-m	2-m	3-m	6-m	12-m
50,000,000	5.00%	11.50%	13.00%	14.00%	15.00%	16.00%
USD ¹	CALL	1-m	2-m	3-m	6-m	12-m
5,000,000	0.50%	1.20%	1.30%	1.40%	1.50%	1.80%

Note: 1. Indicative rates are gross of withholding tax (10%)

RMB Nigeria Note: The deposit placement is subject to the completion of on-boarding forms (KYC) for RMB Nigeria, a compliance requirement from the Central Bank of Nigeria. Currencies available on request: ZAR/EUR/GBP.

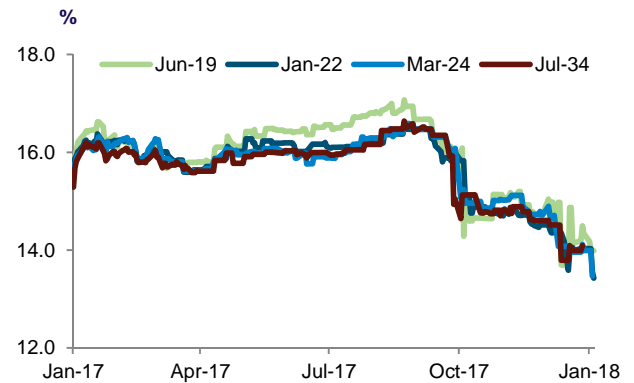
International rating – RMB Nigeria is a wholly owned subsidiary of the FirstRand Bank [BB+ /Baa3] S&P and Moody's respectively.

Treasury bills



Source: Reuters

Benchmark bonds



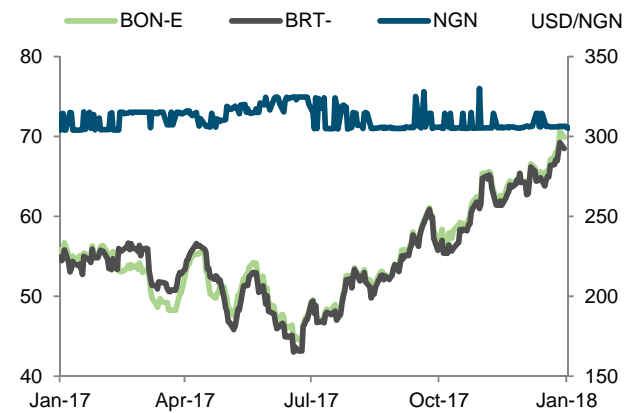
Source: Reuters

NIBOR



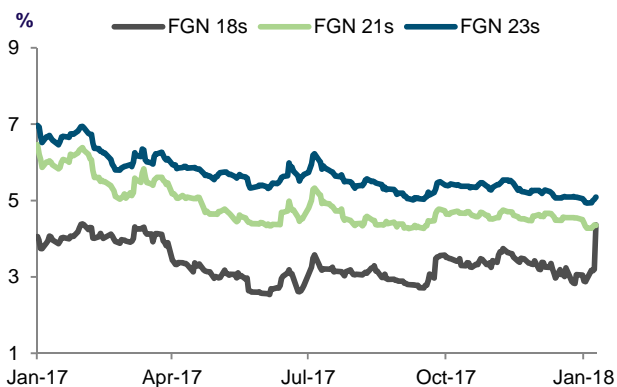
Source: Reuters

Oil prices and FX



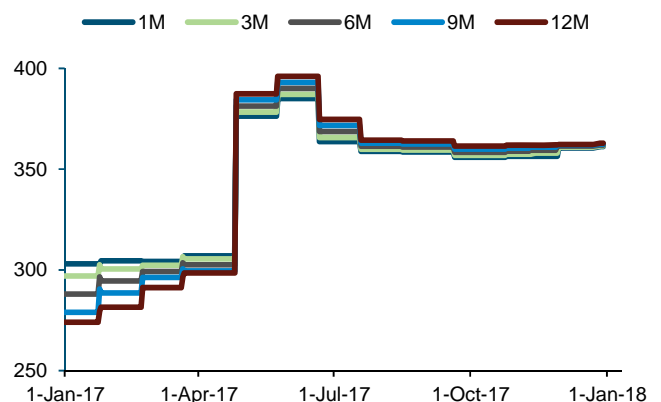
Source: Reuters

FGN Eurobonds



Source: Reuters

OTC FX futures



Source: FMDQ

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