

Nigeria Global Markets Update

20 June 2018

Money markets

The overnight and OBB rates closed higher yesterday- at 10.75% and 9.83% from 4.25% and 3.67% on Thursday as a result of the CBN's liquidity mop up via an OMO auction.

Rates are expected to stay close to prevailing levels.

Interbank spot: USD/NGN

The CBN remains the primary supplier in the NiFEX market, with its periodic Wholesale and Retail Secondary Market Intervention Sales (SMIS) programme. The exchange rate has remained stable on the back of sustained interest in the local fixed income and equity capital markets. Turnover yesterday was US\$252.44m, up from US\$168.13m the previous day.

We expect USD/NGN to trade rangebound between 361.50 and 362.50 in the short to medium term.

| Offer rates | 14-Jun | 19-Jun | Change |
|-------------|--------|--------|--------|
| NiFEX | 342.88 | 343.55 | ↑ 0.67 |
| NAFEX | 360.99 | 361.12 | ↑ 0.13 |

Commodities

Saudi Arabia's plan to halt the oil-price rally could hurt its economy, depriving the kingdom of billions of dollars in income that it needs more than many other OPEC members. Although the country's economy isn't the most reliant on crude exports among the group's five biggest producers -- Kuwait gets that distinction -- Saudi Arabia is the only member that will post a significant budget deficit despite higher-than-expected oil prices this year.

The kingdom's plan to phase out 18 months of production cuts faces opposition within OPEC, starting with Iran, Iraq and Venezuela. The Saudis are targeting an increase even though higher crude prices could boost the valuation of Saudi Aramco, the world's biggest oil company, if the government carries out a planned initial public offering next year (Bloomberg)

Fixed income

Yesterday was an active trading day in the fixed income space with a sell-off across most parts of the curve.

Yields inched higher across the 182-day maturity as a result of the reduced naira liquidity in the money markets as well as profit-taking after last week's rally. However, yields were lower on the 364-day bill in a reversal of Thursday's sell-off around that part of the curve.

The CBN offered NGN150bn and NGN200bn of the 93- and 219-day T-bills at an OMO auction yesterday. There was moderate demand with NGN133.6bn of the longer tenor sold at a stop rate of 12.15%. Bids ranged from 12.15% -12.50%, however, the CBN seems intent on maintaining the clearing rate at 12.15%.

Bonds sold off across most maturities as foreign investors reduced their holdings thanks to the general risk-off sentiment in frontier markets.

We expect some renewed interests in the T-bill space today as the amount on offer at the NTB auction c.NGN66.70bn across the three maturities (91-, 182- and 364-day). Weak demand should still keep bond yields elevated.

| Tenor | 14-Jun | 19-Jun | Change (bp) |
|---------|--------|--------|-------------|
| 91-day | 11.20 | 11.20 | → - |
| 182-day | 11.83 | 12.74 | ↑ 0.91 |
| 364-day | 14.08 | 13.56 | ↓ (0.52) |
| Jun-19 | 11.91 | 12.76 | ↑ 0.85 |
| Feb-20 | 13.00 | 13.07 | ↑ 0.07 |
| Jul-21 | 13.47 | 13.52 | ↑ 0.05 |
| Jan-22 | 13.16 | 13.16 | → - |
| Mar-24 | 13.33 | 13.40 | ↑ 0.07 |
| Jan-26 | 13.52 | 13.62 | ↑ 0.10 |
| Mar-27 | 13.36 | 13.44 | ↑ 0.08 |
| Feb-28 | 13.46 | 13.57 | ↑ 0.11 |
| Jul-34 | 13.64 | 13.69 | ↑ 0.05 |
| Mar-36 | 13.64 | 13.66 | ↑ 0.02 |
| Apr-37 | 13.56 | 13.66 | ↑ 0.10 |

| | Current rate (%) | | Current |
|--------------|------------------|------------------------------|-------------|
| LIBOR 30-day | 2.08375 | Brent Crude | US\$75.40 |
| NIBOR 30-day | 13.7537 | NAFEX (offer rate) | 362.00 |
| NIBOR 90-day | 14.0511 | Reserves (as at 13 Jun 2018) | US\$47.63bn |

RMB Nigeria indicative term deposit rates¹

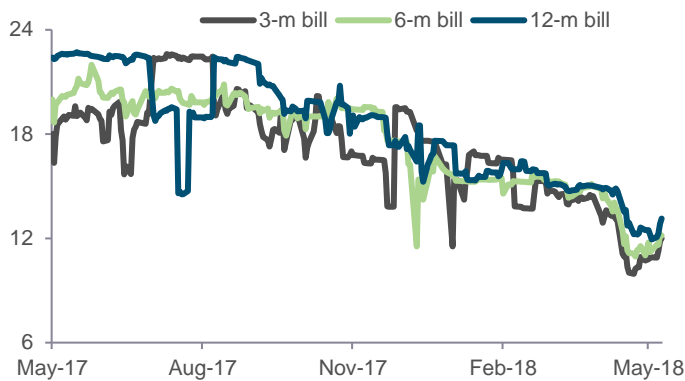
| NGN | CALL | 1-m | 2-m | 3-m | 6-m | 12-m |
|------------------|-------|--------|--------|--------|--------|--------|
| 50,000,000 | 3.00% | 10.00% | 10.50% | 11.00% | 11.50% | 11.50% |
| USD ¹ | CALL | 1-m | 2-m | 3-m | 6-m | 12-m |
| 5,000,000 | 0.50% | 1.50% | 2.00% | 2.50% | 3.00% | 3.25% |

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.

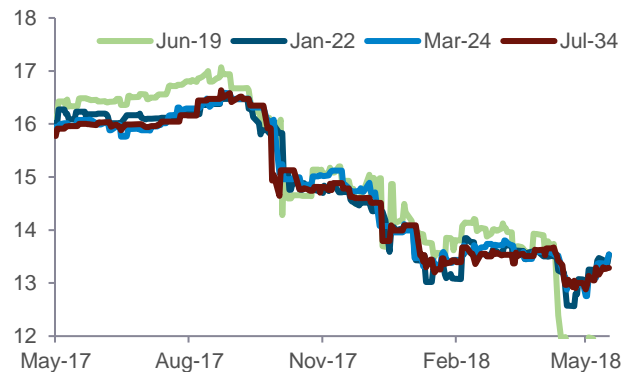
International rating – RMB Nigeria is a wholly owned subsidiary of the FirstRand Bank [BB+ /Baa3] S&P and Moody's respectively.

Treasury bills



Source: Reuters

Benchmark bonds



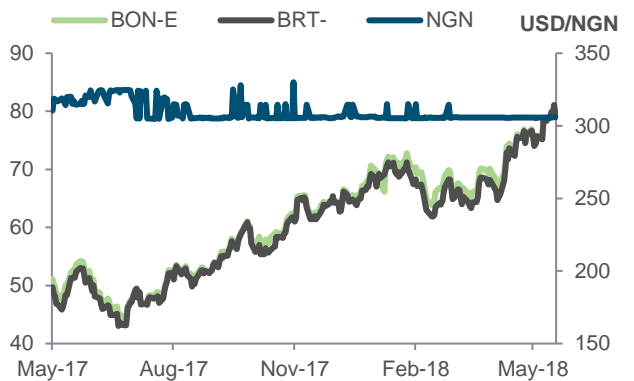
Source: Reuters

NIBOR



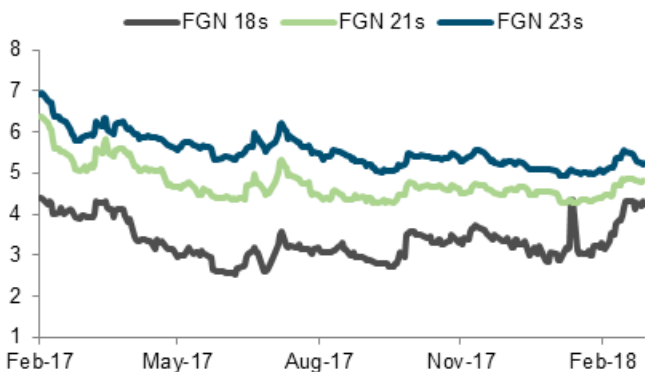
Source: Reuters

Oil prices and FX



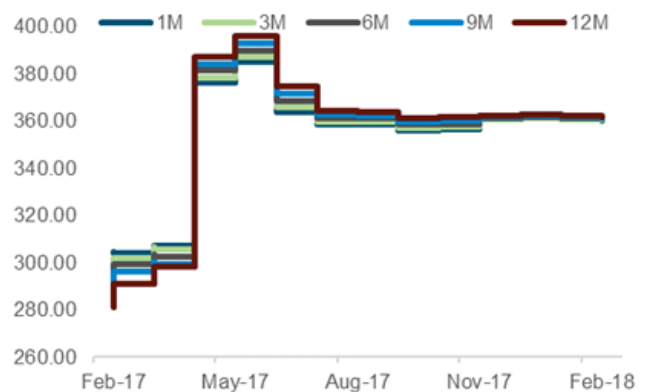
Source: Reuters

FGN Eurobonds



Source: Reuters

OTC FX futures



Source: FMDQ

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