

Nigeria Global Markets Update

13 December 2018

Money markets

Yesterday's session saw the Overnight and OBB rates fall slightly, closing at 62.50% and 56.67% from 70.92% and 65.00% respectively. We expect a significant drop in rates today on the back of N498bn OMO bill maturity despite another likely auction.

Interbank spot: USD/NGN

The CBN remains the primary supplier in the NiFEX market, with its periodic Wholesale and Retail SMIS programme. The NAFEX market continues to trade actively, with USD/NGN at a high of N366.00 yesterday. Total turnover yesterday was US\$419m, up from US\$316m on Tuesday. There has been increased festive demand for dollars as we approach the close of the year, which could put the naira under a bit of pressure. However, we do not expect USD/NGN to go past 370 in the short term.

| Offer rates | 11-Dec | 12-Dec | Change |
|-------------|--------|--------|--------|
| NiFEX | 359.33 | 359.64 | ↑ 0.31 |
| NAFEX | 364.57 | 364.29 | ↓ 0.28 |

Commodities

Production cuts agreed by OPEC and its allies are on track to balance global oil markets in the first half of 2019, but more work may be needed after that.

If Saudi Arabia, Russia and other countries in the so-called OPEC+ coalition cut production by 1.2 million barrels day as promised for the first six months of next year, world supply and demand will be in equilibrium. However, booming U.S. shale supplies mean they would need to almost double the cutback to prevent a new surplus in the fourth quarter, a report from the group showed.

Oil prices remain stuck in a bear market, trading just above \$60 a barrel in London, even though OPEC and its partners surprised traders with the size of the supply reduction announced on Dec. 7. (Bloomberg)

Fixed income

It was a quiet trading session in the fixed income market yesterday. However, we saw market participants sell off around the 91-day and 364-day regions in a bid to raise liquidity, with yields for these tenors rising by 38bp and 55bp respectively.

Bond yields trended lower across a majority of the maturities as a result of buying interest from local institutional investors.

The CBN held an OMO auction yesterday, where we saw minimal demand across all tenors offered. The results of the OMO auction are shown below:

| Tenor | Offer | Subscription | Sale | Rate (%) |
|---------|-------|--------------|-------|----------|
| 92-day | 20.00 | 0.26 | 0.26 | 11.90 |
| 176-day | 30.00 | Nil | Nil | Nil |
| 267-day | 50.00 | 25.70 | 25.70 | 15.00 |

**All figures in NGN billion

T-bills yields are expected to moderate slightly today due to improved naira liquidity in the money markets while the bond market should remain order driven.

| Tenor | 11-Dec | 12-Dec | Change |
|---------|--------|--------|----------|
| 91-day | 15.03 | 15.41 | ↑ 0.38 |
| 182-day | 14.09 | 14.03 | ↓ (0.06) |
| 364-day | 17.33 | 17.88 | ↑ 0.55 |
| Feb-20 | 15.12 | 15.10 | ↓ (0.02) |
| Jul-21 | 15.62 | 15.59 | ↓ (0.04) |
| Jan-22 | 15.11 | 15.03 | ↓ (0.08) |
| Mar-24 | 15.28 | 15.24 | ↓ (0.04) |
| Jan-26 | 15.83 | 15.79 | ↓ (0.04) |
| Mar-27 | 15.73 | 15.71 | ↓ (0.02) |
| Feb-28 | 15.93 | 15.86 | ↓ (0.07) |
| Jul-34 | 15.67 | 15.68 | ↑ 0.01 |
| Mar-36 | 15.73 | 15.68 | ↓ (0.05) |
| Apr-37 | 15.57 | 15.56 | ↓ (0.01) |

| | Current rate (%) | | Current |
|--------------|------------------|-------------------------------|-------------|
| LIBOR 30-day | 2.43238 | Brent Crude | US\$61.70 |
| NIBOR 30-day | 14.9895 | NAFEX (offer rate) | 365.60 |
| NIBOR 90-day | 15.3046 | Reserves (as at 11 Dec. 2018) | US\$42.80bn |

RMB Nigeria indicative term deposit rates¹

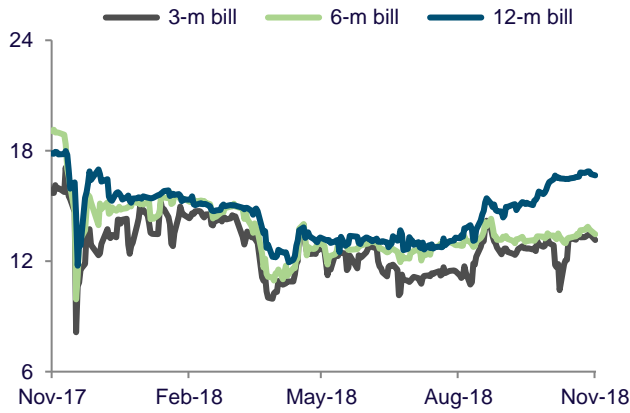
| NGN | CALL | 1-m | 2-m | 3-m | 6-m | 12-m |
|------------------|-------|--------|--------|--------|--------|--------|
| 50,000,000 | 5.00% | 11.25% | 11.50% | 11.75% | 12.00% | 12.25% |
| USD ¹ | CALL | 1-m | 2-m | 3-m | 6-m | 12-m |
| 5,000,000 | 0.50% | 2.50% | 3.00% | 3.25% | 3.50% | 3.75% |

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.

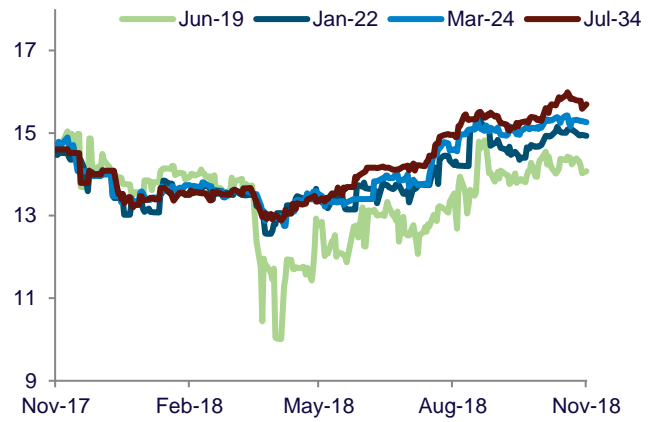
International rating – RMB Nigeria is a wholly owned subsidiary of the FirstRand Bank [BB+ /Baa3] S&P and Moody's respectively

Treasury bills



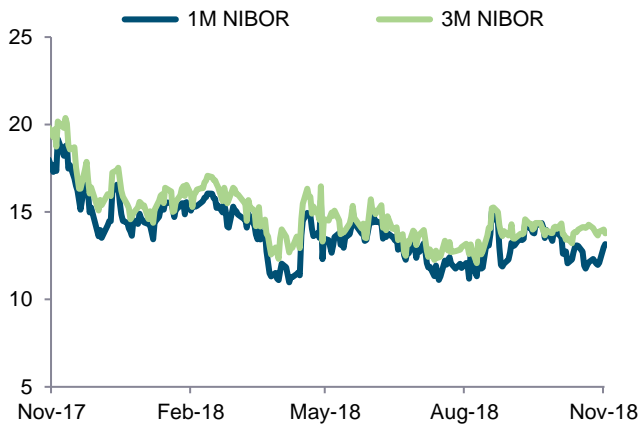
Source: FMDQ

Benchmark bonds



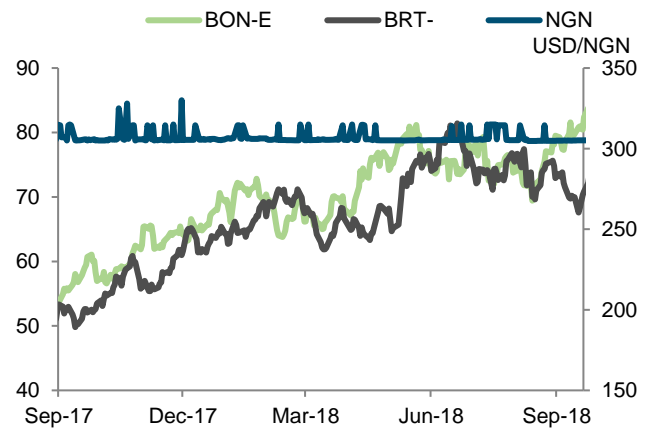
Source: FMDQ

NIBOR



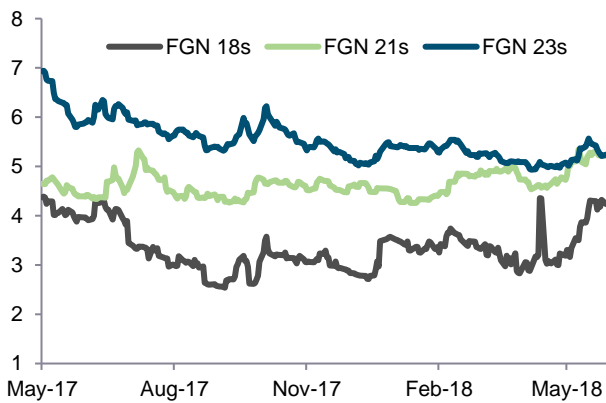
Source: FMDQ

Oil prices and FX



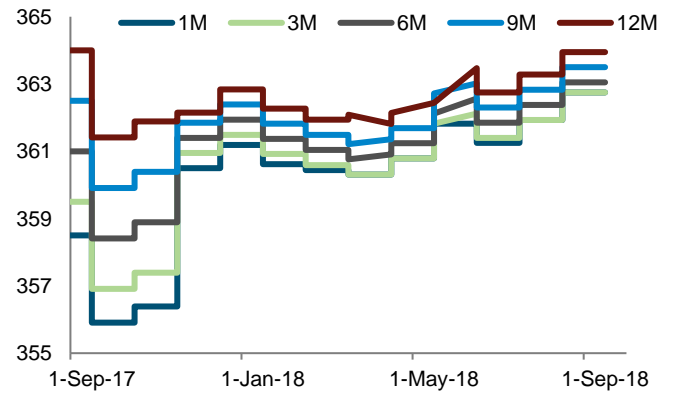
Source: Reuters

FGN Eurobonds



Source: Reuters

OTC FX futures



Source: FMDQ

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