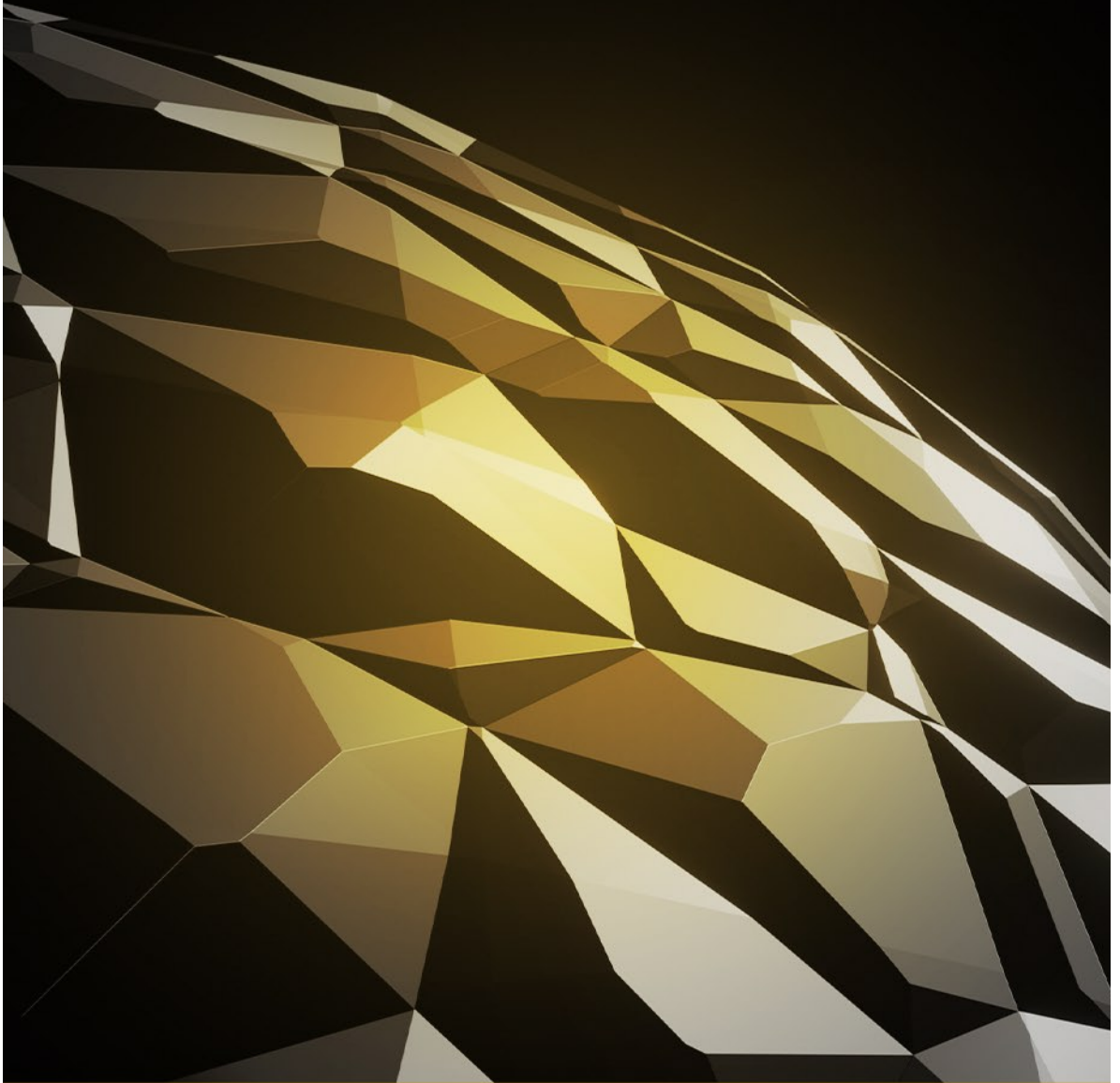




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# **Fixed Income Commentary**

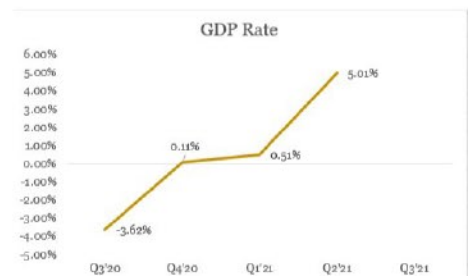
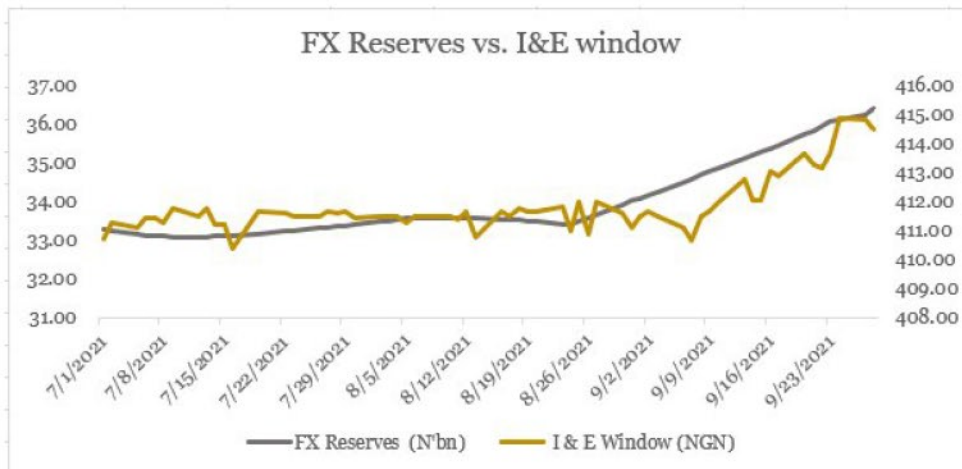
**Q3 2021**

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## Macro-Economic Overview

- Inflation eased in Q3, to close at 17.01% yoy for August 2021 mainly driven by a slowdown in food prices (20.3% vs 21.03% in July) and despite the naira's ongoing devaluation.
- The Monetary Policy Committee (MPC) held Monetary Policy Rate (MPR) and other parameters constant in all its meetings during the quarter
- Oil prices averaged \$73/barrel through the quarter while hitting a high of \$79/barrel and a low of \$65/barrel
- FX Reserve stood at c.\$36bn as at the end of Q3, c.\$3bn increase from the start of the quarter.
- Interbank system liquidity for the quarter averaged c.N153bn, closing the quarter at c.N441bn
- FAAC inflows summed up to c.N2.19trn in the quarter (c.N733bn disbursed in Jul'21, c.N761bn in Aug'21 and c.N697bn in Sept'21).
- Closing the quarter, government borrowing stood at 84% of expected N5.2trn borrowings - N2.85trn raised through local borrowings and \$4bn raised via Eurobond Issuance
- Coupon payments amounted to c.N515bn in Q3, in addition, there was a c.N561bn bond maturity and over c.N677bn rolled over in NTB.



## Bond Market

The quarter commenced with a bull run following the decline in stop rates witnessed at the end of Q2, the 2021 bond maturity (N561bn) and coupon payments sustained the bull run with a knee-jerk bearish reaction seen towards the end of the quarter following a hike in rates on the 1year paper. The quarter closed with mixed sentiments albeit with a slightly bullish bias, following the hike in long tenor rates at the September bond auction.

		July	August	September
13.98% FGN JAN 2028	Offer (N'bn)	50.00	50.00	50.00
	Alloted (N'bn)	31.71	64.25	42.37
	Stop rate (%)	12.35	11.60	11.60
12.40% FGN MAR 2036	Offer (N'bn)	50.00	50.00	50.00
	Alloted (N'bn)	51.16	91.03	115.85
	Stop rate (%)	13.15	12.75	12.75
12.98% FGN JUL 2050	Offer (N'bn)	50.00	50.00	50.00
	Alloted (N'bn)	55.20	104.81	118.83
	Stop rate (%)	13.25	12.80	13.00

## Treasury Bills Market

Activity was slow this quarter, relative to Q2, as investors' appetite waned largely driven by the three consecutive declines in stop rates on the 1-year paper. Low participation, and consequently bearish sentiments, led to a 40bps reversal in stop rate on the 1-year paper at the 8-Sep NTB auction. Participation in the secondary market remained low despite the uptick in stop rates at the auctions in September.

The quarter began with selloffs in the OMO space although short-lived as limited supply drove a bullish bias resulting in consistent decline in yields. The CBN increased offerings in the months to follow thus mopping up secondary market demand, causing the quarter to close with slight bearish sentiments

## Local Corporate Issuances for the quarter

### Commercial Papers

Issuer	Issue Date	Maturity Date	Issue Yield (%)	Outstanding Value (₦'bn)
Coleman Technical Industries Limited	13-Jul-21	10-Jan-22	8.8849	0.15
Mixta Real Estate Plc	14-Jul-21	10-Jan-22	16.0000	0.85
Trustbanc Holdings Limited	23-Jul-21	19-Jan-22	14.5000	1.70
Fsdh Merchant Bank Limited	23-Jul-21	27-Jan-22	11.1003	1.79
Fsdh Merchant Bank Limited	23-Jul-21	16-Nov-21	8.7360	2.28
Coronation Merchant Bank Limited	02-Aug-21	28-Jan-22	11.9069	1.29
Mixta Real Estate Plc	02-Aug-21	29-Apr-22	17.5000	2.07
United Capital Plc	05-Aug-21	1-Feb-22	11.9108	1.56
Mixta Real Estate Plc	16-Aug-21	11-Feb-22	16.0000	1.00
Eunisell Limited	24-Aug-21	21-May-22	17.5712	3.50
Prima Corporation Limited	26-Aug-21	22-Feb-22	13.7500	3.57
Trustbanc Holdings Limited	03-Sep-21	2-Mar-22	13.5000	4.20

## Eurobond Market - Nigerian Sovereigns

Through the quarter, the Eurobond market was relatively quiet with bearish sentiments, as players anticipated the corporate and Federal government Issuances scheduled for the quarter. Yields inclined by c.68bps on an average in Q3'2021.

### Eurobond Issuances for the quarter

<i>Description</i>	<i>Issue Date</i>	<i>Coupon (%)</i>	<i>Maturity Date</i>	<i>Outstanding Value (\$'mm)</i>
NGERIA 6.125 09/28/28	28-Sep-21	6.125	28-Sep-28	1250.00
NGERIA 7.375 09/28/33	28-Sep-21	7.375	28-Sep-33	1500.00
NGERIA 8.25 09/28/51	28-Sep-21	8.250	28-Sep-51	1250.00
ACCESS 6.125 09/21/26	21-Sep-21	6.125	21-Sep-26	500.00

### Outlook for Q4'2021

- We expect a choppy bond market given that the DMO oversold at all auctions held in Q3, activity will most likely be skewed to the mid to long end of the bond curve
- We expect the Treasury bills market to continue trading cautiously, a bullish tilt is expected in the OMO market with c.N640b expected maturity, and the abysmal volumes sold at the previous OMO auctions.
- We expect to see bearish bias in the Eurobond market as participants look to take profit as the year winds up.

