Bond Watch

Analysis

During the week under review, activities in the bond market were driven largely by speculative trading in anticipation of key economic events in the week ahead. This resulted in relative sustained intraday volatility and subsequent stability as traders adopted a cautious approach. Earlier in the week, yields of the 10.00 Jul 23, 2030 and 10.70 May 30, 2018 moved up slightly whilst that of 4.00 Apr 23, 2015 declined; however, the market was more stable in the latter part of the week. In our opinion, this trend suggests traders' speculative positions in view of the expected outcome of the Monetary Policy Committee (MPC) meeting and the release of the February 2012 inflation figure by the National Bureau of Statistics (NBS) in the week ahead.

Meanwhile, March 30, 2012 has been fixed for the full call of the **9.75 Mar 30, 2017** First Bank Plc euro bond. As we have highlighted in the past, the fixing of this call date led to the negative yield on the bond. (**fig. 3)**

In the sub-sovereign bond market, the Ondo state government has successfully raised ₦27.00 billion from the bond market. The bond which was issued at a fixed coupon of 15.50% has a tenor of seven years, with amortisation structure of an initial two years moratorium period and a call option. The bond is rated "A" (Agusto) and "A-" (GCR). In view of this, the total volume of outstanding state bonds is currently c. ₦367.50 billion.

The treasury bills market was very active during the week, particularly at longer end, as there was high demand for the 07-03-2013 (364day) and 21-06-2012 (91day) bills. In addition, we note that the CBN intends to issue c. ₦917.77 billion during the second quarter against ₦960.13 billion out of which shown on the first quarter calendar. The current amount of Tbills issued so far in 2012 is c. ₦621.89 billion. This shows a slight decrease of 4.41% in the proposed volume to be issued in the second quarter when compared with that of the first quarter.

In the week ahead, we expect the monetary authorities to hold the benchmark rate stable at the least whilst we anticipate a moderate increase in year-on-year inflation. Also, there will be a treasury bill auction of c. ₦101.23 billion 91day and 182day tenors.

Tola Odukoya
todukoya@dunnlorenmerrifield.com

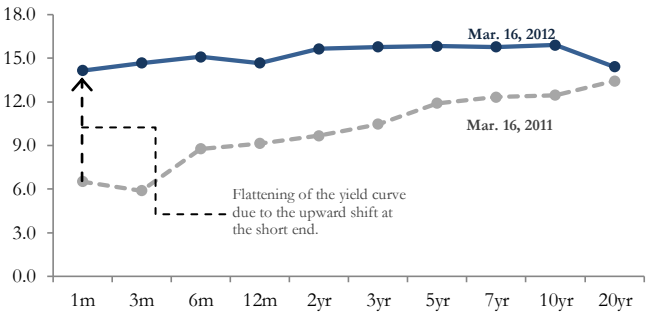
Jide Nwaogwugwu
jnwaogwugwu@dunnlorenmerrifield.com

Figure 1: Market Indicators

FGN Bonds Market Cap., ₦'bn	3,524.84
FGN Bonds Market Cap., $'bn	22.59
Domestic Debt Stock, ₦'bn	5,622.84
Domestic Debt Stock, $'bn	35.95
External Debt, ₦'bn	886.25
External Debt, $'bn	5.67
MPR (%)	12.00
Inflation (%)	12.60

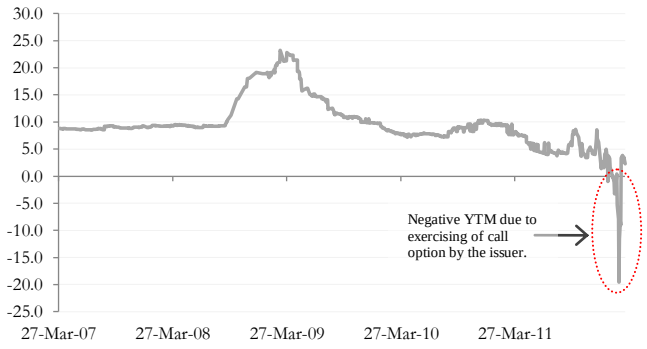
Source: DLM Research, National Bureau of Statistics (NBS), Debt Management Office (DMO)

Figure 2: FGN Yield Curve



Source: DLM Research

Figure 3: FBN Eurobond: Historical yields (%)



Source: DLM Research

Figure 4: FGN Benchmark Bonds

Description	Price (%)	Yield (%)
10.50 Mar 18, 2014	91.43	15.64
4.00 Apr 15, 2015	71.92	15.78
9.35 Aug 31, 2017	76.88	15.83
16.39 Jan 27, 2022	102.29	15.91
10.00 Jul 23, 2030	71.77	14.40

Source: DLM Research

Figure 5: Eurobonds

Issuer	Description	Price (%)	Yield (%)
FGN	6.75 Jan 28, 2021	108.65	5.50
GT Bank	7.50 May 19, 2016	104.75	6.19
First Bank	9.75 Mar 30, 2017	101.22	2.85

Source: DLM Research, Bloomberg

Figure 6: Sub-National Bonds

Issuer	Issue Size (₦'bn)	Rating	Maturity	Original Tenor	TTM/ Average Life	Coupon (%)	Mid-Price	Yield (%)
Lagos (S1)	50.00	A+, AA,	Feb-14	5	1.90	13.00	94.01	16.79
Niger#	6.00	A-	Oct-15	5	2.17	14.00	100.12	18.04
Kwara	17.00	A	Aug-14	5	2.39	14.00	93.17	17.60
Ebonyi#	16.50	A	Sep-15	5	3.17	13.00	93.52	17.67
Imo#	18.50	A+	Jun-16	7	3.17	15.50	100.45	17.11
Benue#	13.00	A-	Jun-16	5	3.17	14.00	86.55	17.93
Kaduna	8.50	A+	Aug-15	5	3.46	12.50	86.68	17.82
Bayelsa#	50.00	A-	Jun-17	7	3.83	13.75	95.54	17.41
Ekiti#	20.00	A	Dec-18	7	4.78	14.50	92.62	17.73
Delta#	50.00	A+	Sep-18	7	4.83	14.00	92.82	17.24
Niger (S1)	9.00	A-	Oct-18	7	4.83	14.00	84.23	18.21
Ondo#	27.00	A/A-	Feb-19	7	4.86	15.50	93.62	17.66
Lagos (S2)	57.00	A+	Apr-17	7	5.09	10.00	76.15	17.21
Edo	25.00	A-	Dec-17	7	5.80	14.00	85.02	18.28

Source: DLM Research

Figure 7: Corporates

Issuer	Issue Size (₦'bn)	Rating	Maturity	Original Tenor	TTM/ Average Life	Coupon (%)	Mid-Price	Yield, (%)
UPDC#	15.00	A-	Aug-15	5	2.83	10.00	86.38	18.58
Lafarge	11.80	A+/AA-	Oct-14	3	2.56	11.50	86.49	18.33
GT Bank	13.17	AA+	Dec-14	5	2.76	13.50	91.18	17.64
Chellarams#	1.50	BBB-	Jan-16	5	2.83	14.00	83.65	19.53
Flourmills#	37.50	A	Dec-15	5	3.50	12.00	91.86	17.99
*Dana#	8.01	BBB/BBB+	Apr-18	7	4.50	16.00	98.71	19.29
NAHCO	2.15	AA/A-	Sep-16	5	4.54	13.00	82.15	19.04
*Tower (S1 Tr. A)#	3.63	A-/A-	Sep-18	7	4.83	15.75	90.90	19.11
*Tower (S1 Tr. B)#	1.00	AAA/AA-	Sep-18	7	4.83	14.00	88.62	18.11
*Chellarams(S2)	0.45	BBB-	Feb-19	7	4.83	17.00	87.43	19.93
UBA (S1)	20.00	A+	Sep-17	7	5.54	13.00	81.96	18.31
UBA (S2)	35.00	A/A	Sep-18	7	6.54	14.00	84.96	18.00

Source: DLM Research

Legend:
: Amortizing bonds; * : Floating rate bonds; Sr : Series; Tr : Tranche

NB: (i) Prices and yields on Sub-National and Corporate Bonds are indicative.
(ii) For amortising bonds, average life is used in place of Term-To-Maturity (TTM)

DUNN LOREN MERRIFIELD
Elephant House
214 Broad Street,
Lagos, Nigeria
Tel: 234 1 462 2683-4
www.dunnlorenmerrifield.com

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