



Thursday, 28 March 2019

The Market Today

FG plans 50:50 foreign/domestic debt spread for 2019 budget

- Yesterday, Zainab Ahmed, Nigeria’s Minister of Finance announced the plans of the Federal Government to fund the 2019 budget through a mix of local and international borrowing, with a focus on long-term concessionary loans. Notably, the minister also stated that the FG would be seeking to rebalance its debt portfolio to an even split between foreign and domestic loans, an adjustment to its initial plan of a 40:60 split in favor of domestic borrowings. We note that this is a continuation of the current administration’s blueprint to fund capital expenditure through borrowing, with a focus on reducing the level of more expensive local debt in favor of currently cheaper foreign debt. More concerning for the Nigerian economy however, is the government’s struggles with improving revenue, as diversification efforts have not garnered significant traction yet, with debt servicing costs eating up a large portion of the slow-growing revenue. With the blueprint seemingly tilted towards debt financing, we comment that shoring up revenues have to become a key focus for Nigeria in order to avoid a crowding out of revenue by servicing costs.

March Bond Auction closes at 13.50% amid low sales

- The DMO conducted the March Bond Auction yesterday, selling ₦29 billion (₦100 billion offered) across the 5-year, 7-year and 10-year bonds, all at stop rates of 13.50% – lower than the previous month’s auction. Meanwhile, the Interbank Call rate declined 129bps to settle at 15.14%.
- Yesterday, the T-bills space was positive with yields declining 6bps on average. Specifically, yields on the 113DTM and 190DTM bills declined 139bps and 55bps respectively to settle at 11.39% and 13.80%. Meanwhile, buy interest prevailed in the bond market despite the auction, with average yields on benchmark bonds declining 11bps – an adjustment we believe was driven by the MPC’s rate cut on Wednesday. Specifically, the yields on the 13.98% FGN FEB 2028 and 12.40% FGN MAR 2036 bonds advanced 1bp and 4bps respectively to settle at 14.31% and 14.39%.
- Given the low sale at the auction and subsequently lowered stop rates, we expect to see yields adjust downwards in the secondary market. Similarly, with ₦22 billion hitting the system in maturities today, we expect the CBN to conduct an OMO auction and foresee mild buy interest in the T-bills market.

Latest Indicators	
Call rate	15.14 %'
Brent crude price	\$67.83
February Inflation	11.31%
MPR	13.50%
Q4'18 GDP Growth	2.38%
Gross External Reserves	\$43.73bn

Currency (USD/NGN)	27-Mar	26-Mar	Change
Spot	306.95	306.95	0.00
1 M	363.41	362.97	0.44
6 M	382.89	381.19	1.70
1 Y	406.40	403.42	2.98
Parallel Market*	358.50	358.50	0.00
NAFEX	360.68	360.25	0.43

*Quotes are mid-prices

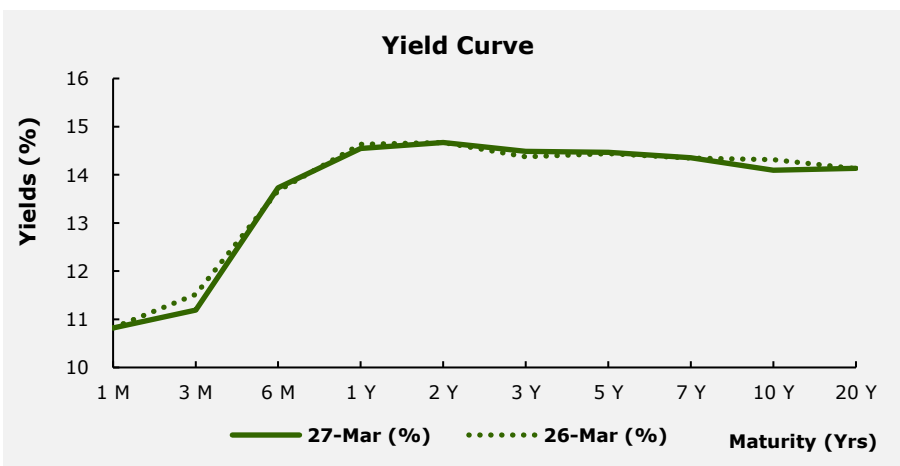
Treasury Bills	27-Mar (%)	26-Mar (%)	Change
1 M	10.82	10.82	0bp
3 M	11.19	11.52	-33bps
6 M	13.73	13.67	6bps
1 Y	14.54	14.63	-9bps

FGN Bonds - Domestic	27-Mar (%)	26-Mar (%)	Change
14.50% 15-JUL-2021	14.58	14.57	0bp
16.39% 27-JAN-2022	14.48	14.38	11bps
14.20% 14-MAR-2024	14.47	14.44	3bps
12.50% 22-JAN-2026	14.35	14.35	0bp
16.2884% 17-MAR-2027	14.17	14.32	-15bps
13.98% 23-FEB-2028	14.09	14.31	-22bps
12.49% 22-MAY-2029	14.11	14.32	-22bps
8.50% 20-NOV-2029	14.11	14.33	-22bps
10.00% 23-JUL-2030	14.12	14.34	-22bps
12.1493% 18-JUL-2034	14.19	14.40	-21bps
12.40% 18-MAR-2036	14.17	14.39	-23bps
16.2499% 18-APR-2037	14.14	14.13	1bp

FGN Bonds - Eurobonds	27-Mar (%)	26-Mar (%)	Change
6.75% Jan 2021	4.91	4.81	10bps
5.625% Jun 2022	5.28	5.13	15bps
6.375% Jul 2023	5.51	5.38	13bps
6.50% Nov 2027	6.76	6.66	10bps
7.143% Feb 2030	7.20	7.12	8bps
8.875% Feb 2032	7.47	7.37	10bps
7.696% Feb 2038	7.87	7.76	11bps
7.625% Nov 2047	8.00	7.90	10bps

Corporates - Eurobonds	27-Mar (%)	26-Mar (%)	Change
DIAMOND BANK 8.75% May 2019	14.71	14.70	0bp
ZENITH BANK 6.25% Apr 2019	0.25	0.25	1bp

Source: Bloomberg, FMDQ, Vetiva Research



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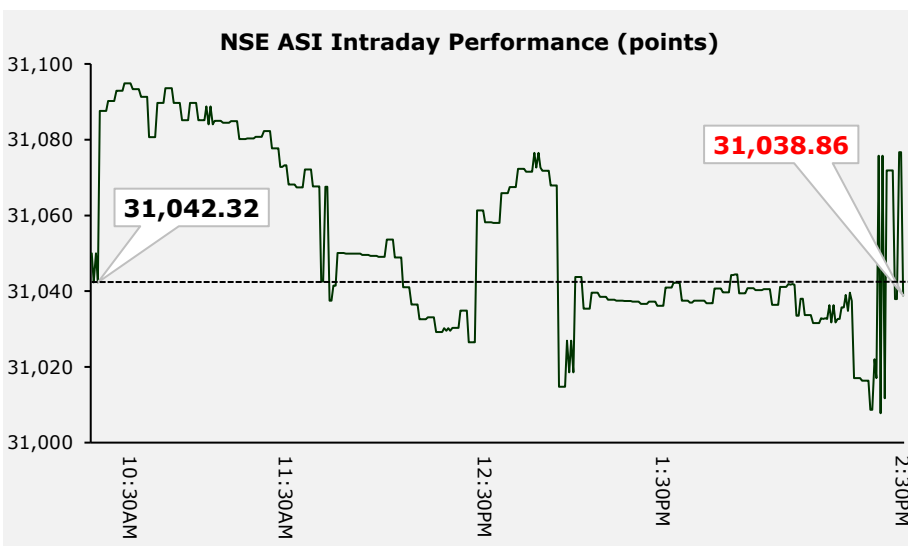


Sell pressure intensifies as apathy persists

- Negative sentiment strengthened in the market at mid-week, with the NSE ASI recording another 67bps loss yesterday. Similarly, market activity worsened, as turnover of ₦1.4 billion printed at less than half of the 30-day average (₦3.1 billion).
- Leading the day's losers, the Banking (-98bps) and Oil & Gas (-84bps) sectors were dragged by declines in GUARANTY (-374bps) and SEPLAT (-182bps). Similarly, the Consumer Goods sector (-39bps) closed down after losses in FLOURMILL (-501bps) and GUINNESS (-242bps). Finally, the Industrial Goods (+3bps) sector was the sole gainer, moving up marginally thanks to CUTIX (+973bps).
- Market breadth remained negative with 11 advances to 21 declines.

Market Outlook

- With activity remaining weak amid continued investor apathy, we expect another negative session today as investor apathy continues to drive market performance.
- Stock Watch:** PZ lost 196bps yesterday to close at ₦10.00, its lowest price since January 2009. The stock has posted a year-to-date loss of 17%, underperforming the Consumer Goods sector (-7% ytd).



Source: Bloomberg, Vetiva Research

Equity Market Indices			
	27-Mar	WtD	YtD
NSE ASI	-0.67%	-1.00%	-1.91%
NSE30	-0.79%	-1.20%	-2.48%
Banking	-0.98%	-2.13%	2.00%
Cons. Goods	-0.39%	-1.12%	-7.07%
Ind. Goods	0.03%	-1.26%	1.34%
Oil & Gas	-0.84%	-1.10%	-8.20%

Market trade			
	27-Mar	26-Mar	30-day Avg.
Volume ('mil units)	131	144	283
Value (₦'bil)	1,403	1,682	3,133

Top 5 trades by volume		Volume
FBNH		29,655,762
ACCESS		16,340,831
UBA		11,750,577
TRANSCORP		9,101,148
#N/A		8,097,296

Top 5 trades by value		(₦)
DANGCEM		379,316,284
FBNH		243,267,889
GUARANTY		186,708,670
ZENITHBANK		137,694,294
ACCESS		106,050,126

Top gainers		
	d/d change	Price (₦)
CADBURY	9.60%	10.85
NEM	6.33%	2.35
LIVESTOCK	5.00%	0.63
UNIONDAC	3.45%	0.30
DANGFLOUR	3.15%	11.45

Top losers		
	d/d change	Price (₦)
NEM	-5.53%	2.22
STANBIC	-5.15%	46.00
FLOURMILL	-5.01%	18.00
NIGERINS	-4.55%	0.21
NASCON	-4.21%	18.20

Foreign Listings			
	Close	Change	Value (₦)
DIAMONDBNK GDR (USD)	3.40	0.02%	12.22
GUARANTY GDR (USD)	5.25	-4.53%	37.73
ZENITHBANK GDR (USD)	2.90	0.02%	20.84
OANDO JSE (ZAR)	0.19	-21.73%	4.72
SEPLAT LSE (GBP)	1.26	-0.08%	599.46
	USDNGN	GBPNGN	ZARNGN
Exchange rate applied	359.36	477.66	24.83

Source: Bloomberg, Vetiva Research



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