

# DLM CAPITAL MARKET LIQUIDITY WATCH

## FGN ANNOUNCED ₦720BILLION BOND ISSUANCE PLAN FOR SECOND QUARTER 2022



APRIL 2022

# TABLE OF CONTENTS

---

BACKGROUND	3
BUYSIDE INVESTOR LANDSCAPE	5
BUYSIDE INVESTOR LANDSCAPE – GLOBAL ASSET PENSION ASSET ALLOCATION	8
FGN BOND ISSUANCE CALENDAR	9
EXPECTED MATURING FGN TREASURIES AND BONDS	12
OPEN MARKET OPERATIONS (OMO) AND TREASURY BILLS MATURITY   YIELD TRENDS	13

---



## **BOND ISSUANCE STRATEGY | BACKGROUND**

A well-planned and timed bond issuance strategy is essential to maximize the overall success of a bond issuance. The Nigerian Debt Capital markets, like most emerging capital markets is recovering strongly from the effects of the Covid-19 pandemic and we project that 2022 will see stronger growth than the previous year.

A pro-active market-oriented strategy to bond issuance is essential to ensure that issuers access low-cost sustainable finance regardless of the broad market environment. Since the beginning of 2022, the dynamics of the Nigerian fixed income market has been influenced by high system liquidity. Thus, the demand for treasury instruments has been strong, with total subscription increasing by 71.48% MoM to ₦557.71billion at the Primary Market Auction (PMA) held in February. The high subscription level buoyed the Debt Management Office (DMO) to raise ₦297.39billion.



## BOND ISSUANCE STRATEGY | BACKGROUND (CON'T'D)

Market liquidity is a major factor that affects the success of bond issuances and pricing within the Nigerian Debt Capital Markets. The universe of bond investors at the primary market for public issuances is regulated by the Securities and Exchange Commission (SEC) and constitutes of institutional investors and High Networth Individuals (HNIs).

At c. ₦13 Trillion, Pension funds constitute the largest investors within the market. Pension funds are mandated by regulation to limit risk exposure and allocation based on the fund type and attributes.

The conservative nature of these assets drives its heavy allocation to government securities. As of December 2021, 63.2% of pension assets were invested in FGN securities, 17.6% in local money market instruments and a meagre 6.98% in corporate debt securities.

DLM CAPITAL MARKET LIQUIDITY WATCH  
FGN ANNOUNCED N720BILLION BOND  
ISSUANCE PLAN FOR SECOND QUARTER 2022

**BOND ISSUANCE  
STRATEGY | BUYSIDE  
INVESTOR LANDSCAPE**

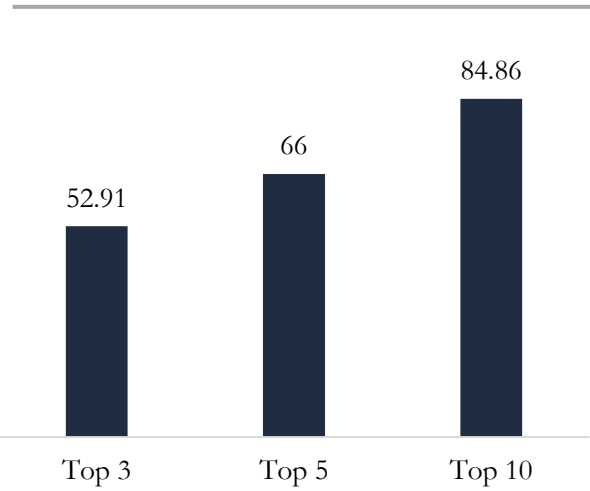


The Nigerian investment landscape comprises majorly of pension fund, insurance companies and money deposit banks. There is also a growing number of indigenous firms including established fund managers with more than US\$532 million in assets under management. Other investors include Developmental Finance Institutions (DFIs) and other impact investors, fund of funds, and foreign institutional investors looking for some exposure to the continent.

## Debt Market Assets

Total Debt Market Cap  
**c. ₦29trn**

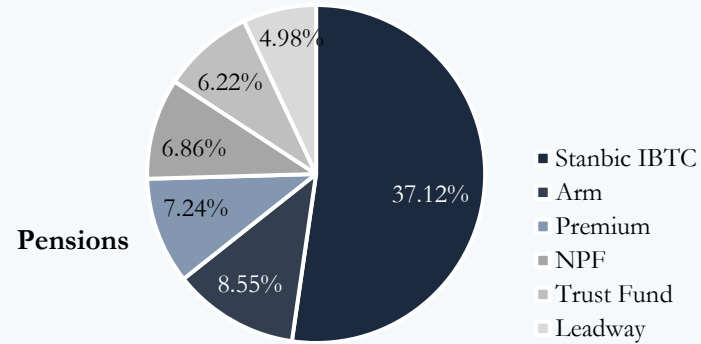
Ranking of PFAs Based on Pension Assets Under Management (%)



## Total Assets (FY 2021)

**₦13.0 Trillion**

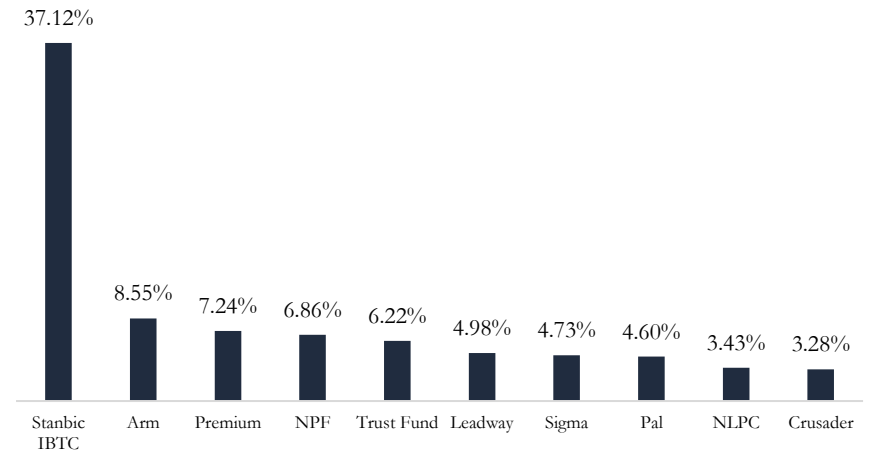
Top 5 PFAs by Market Shares of RSA Funds



**Banks** Total Assets (H1:2021)  
**₦53.64 Trillion**

**Insurance** Liabilities of Life Underwriters  
**₦532.97bn**

Top 10 PFAs by Market Shares of RSA Funds



Banks play in the debt market (N'm)	Zenith	GTBank	Access	Sterling
Sovereign (Federal)	378,026	99,590	150,094	110,241
Sub-sovereign (State)	22,154	-	31,741	-
Corporate bonds	13,371	457.51	15,745	8,527
Eurobonds	-	-	22,032	4,468
Promissory note	52,976	-	80,033	-
Commercial papers	9,760	-	-	-
<b>Total</b>	<b>476,287</b>	<b>100,048</b>	<b>299,645</b>	<b>123,236</b>

# BOND ISSUANCE STRATEGY | BUYSIDE INVESTOR LANDSCAPE – GLOBAL ASSET PENSION ASSET ALLOCATION

ASSET CLASSES	EXISTING SCHEMES	CPFAs	FUND I	FUND II	FUND III	FUND IV	FUND V	FUND VI ACTIVE	FUND VI RETIREE	TOTAL PENSION FUND ASSETS	Weight (%)
	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	0	₦ 'Million	
Domestic Ordinary Shares	104,444.10	38,577.26	5,732.81	616,100.54	129,349.05	10,120.69	0.00	398.51	17.48	904,740.45	6.87%
Foreign Ordinary Shares	0.00	110,667.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	110,667.24	0.84%
<b>Total FGN Securities</b>	<b>730,982.75</b>	<b>751,968.56</b>	<b>22,115.58</b>	<b>3,666,448.34</b>	<b>2,443,678.37</b>	<b>713,670.63</b>	<b>69.32</b>	<b>3,783.06</b>	<b>158.67</b>	<b>8,332,875.28</b>	<b>63.24%</b>
FGN Bonds HTM	681,755.62	727,486.32	16,028.73	3,483,978.51	2,349,223.73	668,694.36	28.07	2,074.44	16.55	7,929,286.33	60.18%
Treasury Bills	40,933.19	22,401.18	5,554.07	102,344.31	71,093.09	37,137.16	39.05	718.62	80.63	280,301.29	2.13%
Agency Bonds	0.00	620.97	41.84	9,902.35	2,447.91	920.09	0.00	0.00	0.00	13,933.16	0.11%
Sukuk	7,512.30	631.33	490.95	65,120.19	14,909.81	6,577.43	2.19	990.00	61.49	96,295.68	0.73%
Green	781.65	828.76	0.00	5,102.99	6,003.82	341.59	0.00	0.00	0.00	13,058.81	0.10%
State Govt. Securities	8,571.04	12,856.32	452.86	39,021.92	21,281.64	6,702.10	0.00	0.00	0.00	88,885.88	0.67%
<b>Corporate Debt Securities</b>	<b>78,356.20</b>	<b>263,800.41</b>	<b>5,331.00</b>	<b>327,936.84</b>	<b>197,533.19</b>	<b>81,914.47</b>	<b>0.00</b>	<b>259.30</b>	<b>29.45</b>	<b>955,160.86</b>	<b>7.25%</b>
Corporate Bonds	70,294.98	263,800.41	5,311.18	308,183.93	190,640.27	81,028.25	0.00	259.30	29.45	919,547.78	6.98%
Corporate Infrastructure Bonds	8,061.21	0.00	19.82	8,948.57	3,291.17	564.18	0.00	0.00	0.00	20,884.94	0.16%
Corporate Green Bonds	0.00	0.00	0.00	10,804.35	3,601.76	322.04	0.00	0.00	0.00	14,728.14	0.11%
Supra-national Bonds	1,272.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,272.90	0.01%
Local Money Market Securities	262,933.91	136,447.06	10,638.40	991,064.18	671,351.08	233,310.60	124.03	3,673.35	706.70	2,310,249.31	17.53%
Bank Placements	255,085.53	136,447.06	10,449.30	961,530.89	650,655.49	224,529.04	124.03	3,621.96	706.70	2,243,150.00	17.02%
Commercial Papers	7,848.38	0.00	189.10	29,533.29	20,695.59	8,781.55	0.00	51.40	0.00	67,099.31	0.51%
Foreign Money Market Securities	0.00	8,443.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,443.85	0.06%
Mutual Funds	83,050.51	12,751.25	563.05	18,786.50	2,308.64	440.91	0.00	80.54	0.00	117,981.40	0.90%
Open/Close-end Funds	2,015.73	12,719.95	563.05	16,566.28	2,101.53	440.91	0.00	80.54	0.00	34,487.98	0.26%
REITS	81,034.79	31.31	0.00	2,220.22	207.11	0.00	0.00	0.00	0.00	83,493.42	0.63%
Real Estate Properties	30,873.08	122,651.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	153,524.75	1.17%
Private Equity Funds	0.00	14,521.19	0.00	22,213.66	290.59	0.00	0.00	0.00	0.00	37,025.44	0.28%
Infrastructure Funds	4,503.82	7,652.63	840.21	62,259.02	0.00	200.48	0.00	0.00	0.00	75,456.17	0.57%
Cash & Other Assets	20,934.69	11,356.29	1,019.89	21,170.33	14,724.57	9,426.34	7.46	714.74	73.83	79,428.13	0.60%
<b>Total</b>	<b>1,325,923.01</b>	<b>1,491,693.74</b>	<b>46,693.79</b>	<b>5,765,001.35</b>	<b>3,480,517.12</b>	<b>1,055,786.21</b>	<b>200.81</b>	<b>8,909.50</b>	<b>986.13</b>	<b>13,175,711.66</b>	<b>100.00%</b>

**BOND ISSUANCE  
STRATEGY | FGN BOND  
ISSUANCE CALENDER**





# BOND ISSUANCE STRATEGY | FGN BOND ISSUANCE CALENDAR

DLM CAPITAL MARKET LIQUIDITY WATCH  
FGN ANNOUNCED N720BILLION BOND ISSUANCE  
PLAN FOR SECOND QUARTER 2022

The Federal Government of Nigeria, through the Debt Management Office, releases ₦720 billion borrowing plan for second quarter of 2022 and stated that it would on April 25 open a new, 2032 FGN bond valued at between ₦70billion to ₦80billion with a tenor of 10 years. The bond is expected to have an interest rate of 13% per annum



Also on April 25, the DMO will re-open a 2042 FGN bond valued at between **₦70billion to ₦80billion.**



For May 16, the DMO will re-open a 2025, 2 years, 10 months FGN bond, valued at between **₦70billion to ₦80billion**, with an original tenor of 7 years and an interest rate of **13.53% per annum.**

On the same date, the DMO in the calendar said that it will offer a new, 2032 FGN bond valued at between N70billion to N80billion, with a tenor of 9 years, 11 months, and an interest rate of 13%..

Also on May 16, the DMO will re-open a 2042 FGN bond for subscription, valued at between **₦70billion to ₦80billion, with a tenor of 19 years, 8 months.**



On June 20, the DMO will re-open an April 2032 FGN bond, valued at between **₦70billion to ₦80billion, with 19 years, 7 months tenor.**



The redemption or issuance of FGN security constitutes major liquidity events that can affect corporate bond issuances in the Nigerian Debt Capital Market.

FGN Bonds Issuance Calendar For The Second Quarter, 2022				
Auction Dates	Particulars			
25-Apr	Bond Name	13.53% FGN MAR 2025 (Re-opening)	NEW FGN APR 2032 (New Issue)	13.00% FGN JAN 2042 (Re-opening)
	Term-To-Maturity	2 Years, 11 Months	10 Years	19 Years, 9 Months
	Range Of Amount on offer (₦'bn)	<b>70 - 80</b>	<b>70 - 80</b>	<b>70 - 80</b>
	Original Tenor	7 - Year	10-Year	20-Year
16-May	Bond Name	13.53% FGN MAR 2025 (Re-opening)	NEW FGN APR 2032 (Re-opening)	13.00% FGN JAN 2042 (Re-opening)
	Term-to-Maturity	2 Years, 10 months	9 years, 11 months	19 Years, 8 Months
	Range Of Amount on offer (₦'bn)	<b>70 - 80</b>	<b>70 - 80</b>	<b>70 - 80</b>
	Original Tenor	7 - Year	10-Year	20-Year
20-Jun	Bond Name	13.53% FGN MAR 2025 (Re-opening)	NEW FGN APR 2032 (Re-opening)	13.00% FGN JAN 2042 (Re-opening)
	Term-to-Maturity	2 Years, 9 months	9 Years, 10 Months	19 Years, 7 Months
	Range Of Amount on offer (₦'bn)	<b>70 - 80</b>	<b>70 - 80</b>	<b>70 - 80</b>
	Original Tenor	7 - Year	10-Year	20-Year

*The bond issuances by DMO is expected to lead to significant liquidity outflow from the market, and further upward pressure on bond pricing. In context, other bond issuers during this period will be competing with FGN Bonds*

# BOND ISSUANCE STRATEGY | EXPECTED MATURING OMO AND TREASURY BILLS

## FGN Treasuries and Bond Redemption Q2 2022

### OMO and Treasury Bills Maturity April 2022 (N'bn)

Security Type	Maturity Date	Total Subscription	Total Sales	Amount Offered
NTB	4/28/2022	12,690	2,685	2,685
NTB	4/28/2022	3,325	2,019	6,000
NTB	4/28/2022	2,230	1,160	7,100
OMO	4/19/2022	19,500	5,000	5,000
OMO	4/19/2022	14,500	5,000	5,000
OMO	4/19/2022	7,000	5,000	5,000
OMO	4/19/2022	14,300	8,950	10,000
NTB	4/14/2022	2,494	2,188	4,221
NTB	4/14/2022	7,805	6,948	8,800
NTB	4/14/2022	217,587	132,120	491,410
OMO	4/12/2022	26,800	10,000	100,000
OMO	4/12/2022	17,200	10,000	10,000
OMO	4/12/2022	35,000	10,000	10,000
OMO	4/12/2022	18,438	10,000	10,000
OMO	4/12/2022	57,840	10,000	10,000
OMO	4/1/2022	18,200	10,000	10,000
<b>Total</b>		<b>474,909</b>	<b>231,070</b>	<b>695,216</b>

- In the absence of FGN bonds redemption in April and May 2022, the market awaits liquidity boost from the maturing Open Market Operations and Treasury bills.
- With this maturities, the market will be awash with liquidity to support a high credit rated corporate bond issuances.

### OMO and Treasury Bills Maturity May 2022 (N'bn)

Security Type	Maturity Date	Total Subscription	Total Sales	Amount Offered
OMO	5/31/2022	41,750	5,000	5,000
OMO	5/31/2022	32,500	15,000	15,000
OMO	5/31/2022	10,800	5,000	5,000
OMO	5/31/2022	12,500	10,000	10,000
OMO	5/31/2022	20,500	5,000	5,000
OMO	5/31/2022	18,700	5,000	5,000
OMO	5/31/2022	27,670	10,000	10,000
OMO	5/31/2022	50,900	10,000	10,000
NTB	5/26/2022	13,260	5,364	2,044
NTB	5/26/2022	4,283	3,783	4,119
NTB	5/26/2022	286,465	143,885	19,842
OMO	5/24/2022	36,300	10,000	10,000
OMO	5/24/2022	67,786	20,000	20,000
OMO	5/17/2022	72,800	20,000	20,000
OMO	5/17/2022	14,000	5,000	5,000
OMO	5/17/2022	49,040	10,000	10,000
NTB	5/12/2022	2,167	1,912	4,117
NTB	5/12/2022	3,805	2,999	7,987
NTB	5/12/2022	211,067	122,560	82,887
OMO	5/10/2022	47,125	30,000	30,000
OMO	5/10/2022	15,600	10,000	10,000
OMO	5/3/2022	34,000	5,000	5,000
OMO	5/3/2022	50,300	10,000	10,000
OMO	5/3/2022	7,500	5,000	5,000
<b>Total</b>		<b>1,130,818</b>	<b>470,503</b>	<b>310,996</b>

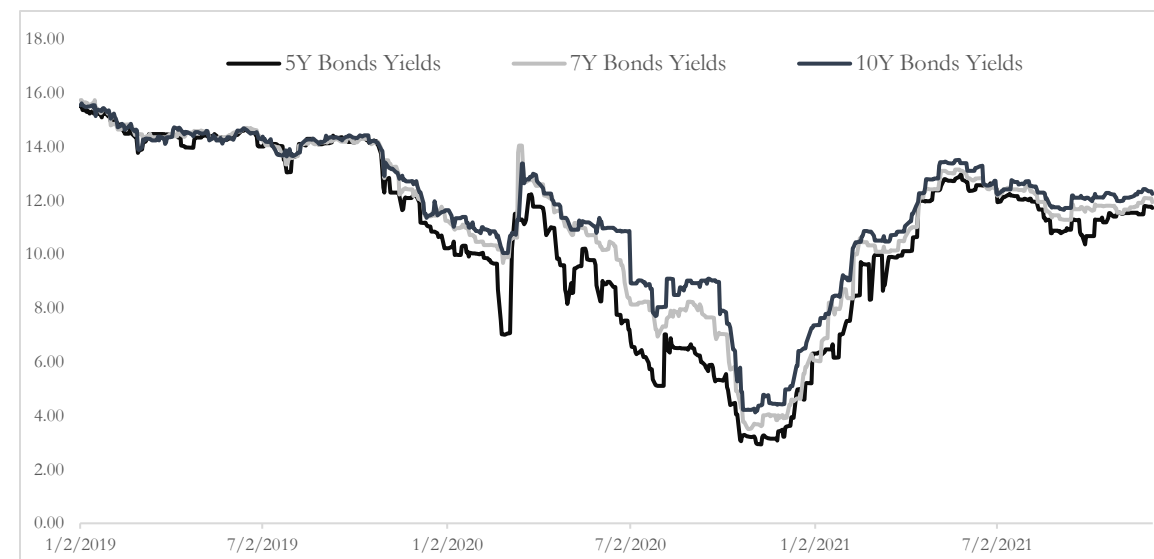
## FGN Treasuries and Bond Redemption Q2 2022

### OMO and Treasury Bills Maturity April 2022 (₦bn)

Security Type	Maturity Date	Total Subscription	Total Sales Amount Offered	
NTB	6/30/2022	18,376	13,882	2,487
NTB	6/30/2022	3,470	2,164	3,315
NTB	6/30/2022	435,847	158,040	58,857
NTB	6/16/2022	6,475	5,911	961
NTB	6/16/2022	2,359	1,102	1,102
NTB	6/16/2022	264,728	27,869	10,614
OMO	6/14/2022	59,900	10,000	10,000
OMO	6/14/2022	54,280	10,000	10,000
NTB	6/9/2022	4,404	2,324	1,551
NTB	6/9/2022	1,814	789	10,094
NTB	6/9/2022	308,485	164,106	78,715
<b>Total</b>		<b>1,160,138</b>	<b>396,187</b>	<b>187,696</b>

- In the absence of FGN bonds redemption in June, the market awaits liquidity boost from the maturing Open Market Operations and Treasury bills.
- With this maturities, the market will be awash with liquidity to support a high credit rated corporate bond issuances.

### FGN Bond Yields -2020-2021 (%)



### Upward Trends in Bond Yields Expected

- With investors demand for higher returns due to a renewed inflationary pressure and FGN Bond issuances to be conducted by the DMO in April, May and June 2022, we reiterate that a future rise in bond yields is likely in the mid-term, indicating a higher funding cost for new issuers.
- The yield of an FGN Naira-denominated bond with 10-years to maturity is rising again, rising to 11.527% as of 12th April 2022 after showing a decline in March 2022,

THANK YOU