

DEBT MANAGEMENT OFFICE NIGERIA

FGN BONDS SECONDARY MARKET ACTIVITY FOR JULY 2010

Volume & Value

The level of activity in the FGN Bond market in July 2010 was positive, just like the preceding month. The Volume of FGN bonds traded in July, 2010, stood at 1.32 bn units, Valued at N1,454.99 bn, up from the Volume of 1.22 bn units with a Market Value of N1,344.22 bn, in June 2010. However, when compared to the corresponding period in July 2009, the Volume and Value of the bonds traded in July 2010, decreased by 34% and 33%, respectively.

Out of 36 FGN Bonds in issue, a total of 26 were traded in July 2010. The remaining 10 FGN Bonds were not traded because of the relatively small size in issue (N30bn or less). The 4.00% FGN APR 2015 emerged as the highest traded bond with 174.5 mn units valued at N151.23 bn. In June 2010, the 5.50% FGN FEB 2013 was the highest traded bond with a Volume of 250.7 mn units and a Value of N249 bn.

Meanwhile, the lowest traded bond in July 2010 was the 10.98% FGN NOV 2013, with a Volume of 0.8 mn units and a Value of N0.9bn, while the 14.50% FGN MAR 2011 recorded the lowest Volume of 1.8 mn units and a Value of N1.8 bn, in June 2010.

Table 1. Highest and Lowest Traded Bonds, June-July, 2010

Month	Highest Traded FGN Bonds	Vol. Unit (mn)	Value (N'bn)	Lowest Traded FGN Bonds	Vol. Unit (mn)	Value (N'bn)
July	4.00% FGN APR 2015	174.5	151.23	10.98% FGN NOV 2013	0.8	0.9
June	5.50% FGN FEB 2013	250.7	249.0	14.50% FGN MAR 2011	1.8	1.8

Source: Central Securities Clearing System (CSCS)

Number of Deals

The Number of deals rose to 12,560 in July 2010, representing 4% increase over the 12,091 deals in June 2010, but a 16% decline when compared to the figure recorded in July 2009.

Price & Yield Movements

The 15.00% FGN NOV 2028 attracted the highest monthly average price in July 2010 at N1,688.81. This bond has maintained this position consistently since December 2009. The market has attributed this trend to the fact that the volume in issue (N50 bn) has become relatively small for the level of trading activity. The DMO is already in the process of increasing the volumes of selected bonds such as this, to deepen the market.

The yields rose for most of the bonds between June and July 2010 (Table 2), resulting in a decline in prices.

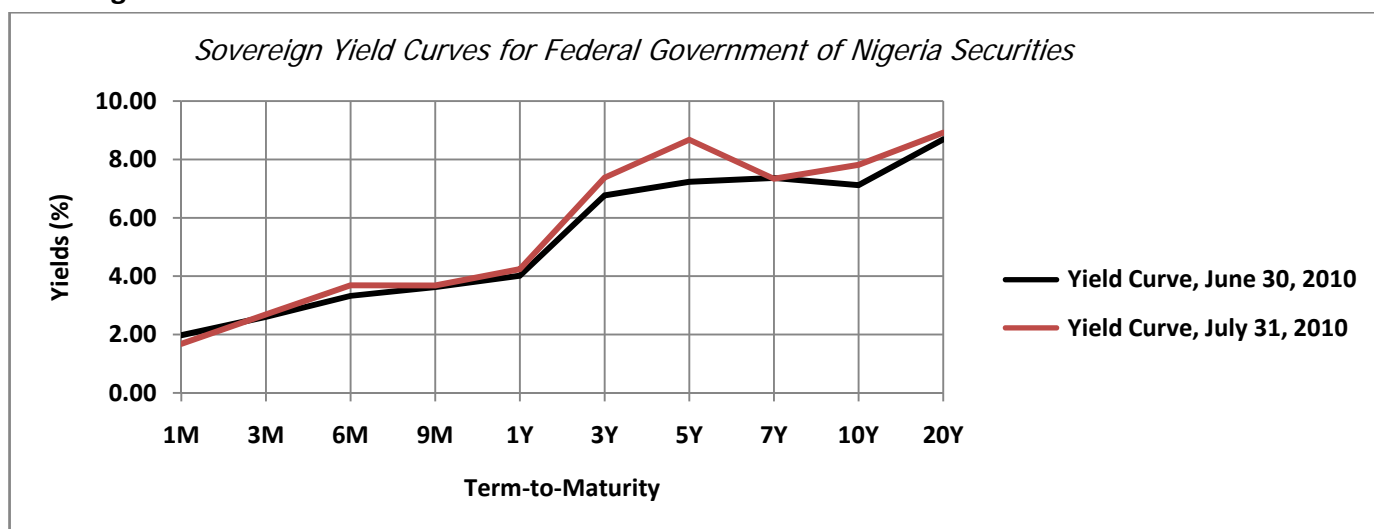
Table 2. Yields (%) on FGN Bonds and Nigeria Treasury Bills, as at end of June & July, 2010

	1M	3M	6M	9M	1Y	3Y	5Y	7Y	10Y	20Y
July	1.68	2.69	3.69	3.68	4.24	7.38	8.68	7.34	7.82	8.92
June	1.98	2.61	3.33	3.63	4.02	6.77	7.24	7.37	7.12	8.69

Sovereign Yield Curve

The Chart below shows the Sovereign Yield Curves for the Federal Government of Nigeria Securities (Nigerian Treasury Bills & FGN Bonds), as at July 30, 2010, and June 30 2010. The Yield Curve as at July 30, 2010, is a reflection of the market trend for the month, which saw on the average, market rates, such as the Inter-bank rates and Marginal Rates on FGN Bonds rising above their levels in June 2010.

Sovereign Yield Curves for FGN Securities



Note: The short end of the curves (not more than 1 year), contains the yields of the Nigerian Treasury Bills (NTBs), while the long end (more than 1 year) constitutes the FGN Bonds yields.

Outlook for August 2010

Trading activity in FGN Bonds in August 2010 could be higher than the level recorded in July 2010 given the relative stability in the market after May 2010, when yields increased sharply and forced traders to adopt a cautious approach to trading in the Bonds. No new policies that could impact on liquidity and interest rates are expected in August, since the next Monetary Policy Committee Meeting

of the Central Bank is scheduled for the fourth week of September 2010.

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