

DEBT MANAGEMENT OFFICE NIGERIA

FGN BONDS SECONDARY MARKET ACTIVITY FOR JANUARY 2010

Volume & Value

Activity in the FGN Bond market resumed fully in January 2010, after a slow down in the preceding month due to the general slowdown in market activities that typically occurs at the end of the year.

The volume of FGN bonds traded in January, 2010 stood at 1.15bn units, valued at N1, 306.76bn, up from 732.13m units with a market value of N830.78 bn, in December 2009.

Out of 35 FGN Bonds in issue, a total of 24 were traded in January 2010, from which the 4th FGN Bond 2014 Series 3 emerged as the highest traded bond with 114.1m units valued at N136.21 bn. The remaining 11 FGN Bonds were not traded because they are of relatively small size of about N30bn or less. In December 2009, the 5th FGN Bond 2028 Series 5 was the highest traded bond with a volume of 66.22m units and a value of N110.2 bn.

Meanwhile, the lowest traded bond in January 2010 was the 4th FGN Bond 2010 Series 14, while the 3rd FGN Bond 2013 Series 9 recorded the lowest volume in December 2009. 150,

000 units of each of these bonds were traded at Face Value.

Deals

The number of deals rose from 8,274 in December 2009 to 13,818 in January 2010, a reflection of the full resumption of market activities.

Price & Yield Movements

The 5th FGN Bond 2028 Series 5 was the highest priced bond in both December 2009 and January 2010. The yield on the bond declined from 8.36 percent in December 2009, to 8.14 percent. As a result, the average price of the bond rose from N1, 663.88 in December 2009 to N1,671.04 in January 2010.

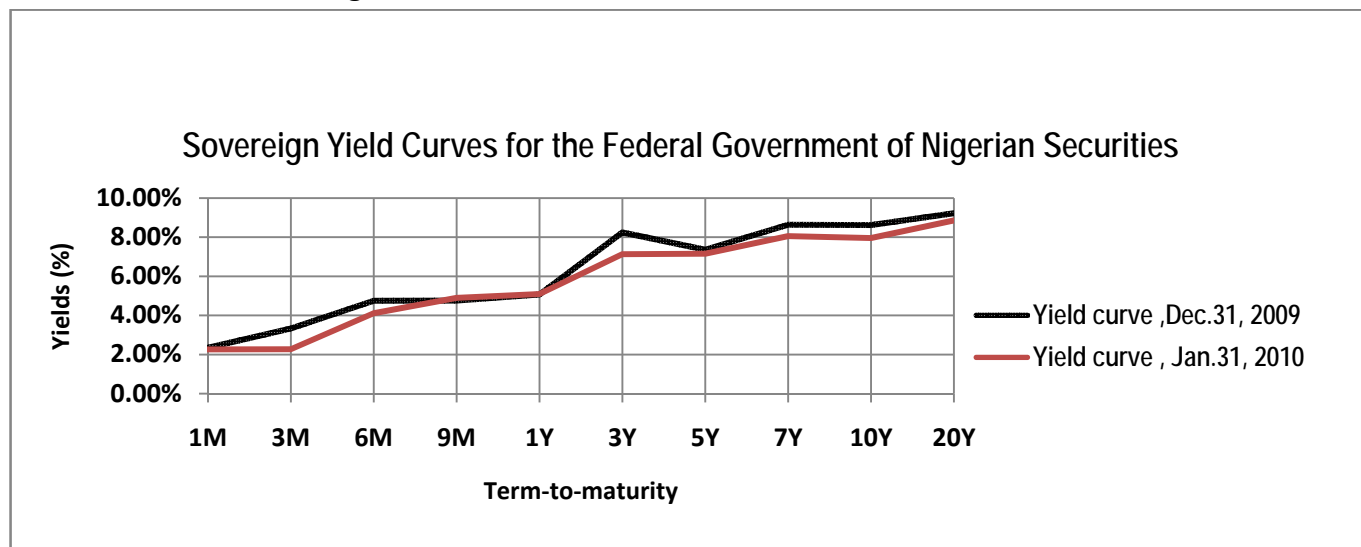
The yields fell for most of the maturities between December 2009 and January 2010 resulting in a rise in prices. All the bonds traded at a premium except the 6th FGN Bond 2019 Series 4 which traded at a discount. It should be noted that this bond was issued at a discount at the November 2009 Bond Auction when it was first re-opened.

Sovereign Yield Curve

Chart 1 shows the sovereign yield curves of the Federal Government of Nigeria securities, comprising the Nigerian Treasury Bills (NTBs)

and the FGN Bonds, as at December 31, 2009 and January 31, 2010.

Chart 1: Sovereign Yield Curves for FGN Securities



Note: The short end of the curves (up to 1 year), constitute the NTBs, while maturities above one year are the FGN Bonds

Outlook for February 2010

Trading activity for February 2010 is expected to be higher in terms of the volume traded and the number of deals, with considerable improvement over the preceding month. It is not likely that there would be major swings in the yields and prices of FGN Bonds in February compared to the month of January 2010.

This expectation is based on the assumption that monetary aggregates and indices such as the Monetary Policy Rate (MPR) are unlikely to change since the next meeting of the Monetary Policy Committee of the Central Bank of Nigeria is in March 2010. Also, the demand for the bonds has remained strong as evidenced by the results of the FGN Bond auction in January 2010.

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