Treasury Bills Auction Scheduled for 20th August 2025

SUMMARY OF PREVIOUS AUCTION

Stop Rate:

91-Day	15.00%
182-Day	15.50%
364-Day	16.50%

Amount Allotted:

91-Day	NGN15.33bn
182-Day	NGN18.32bn
364-Day	NGN139.59bn

SUMMARY OF CURRENT AUCTION

Auction Date	August 20 2025
Settlement Date	August 21 2025

Auction Size

91-Day	NGN50.00bn
182-Day	NGN30.00bn
364-Day	NGN150.00bn

Maturing Instruments

91-Day	NGN71.67bn
182-Day	NGN34.98bn
364-Day	NGN197.14bn

Offer Summary

The Central Bank of Nigeria (CBN) is scheduled to conduct its second Treasury Bills (T-Bills) Primary Market Auction (PMA) for the month on 20th August 2025. At this auction, a total of NGN230.00bn will be offered across the three tenors, comprising NGN50.00bn in 91-day bills, NGN30.00bn in 182-day bills and NGN150.00bn in 364-day bills.

Outlook on Yield

Deviating from 5 months of consistent stop rate decline, the average stop rate at the last auction increased by 21bps to 15.67% (vs 15.46% at the 23rd July auction). It is noteworthy, however, that the increase was seen at the long end of the curve (a 62bps increase to 16.50% from 15.88% previously) as the 91-day and 182-day bills remained unchanged at 15.00 and 15.50%, respectively. We link this increase to the government's need to incentivise investors, especially given the sustained reduction in the level of participation. For context, subscription level has declined consistently from NGN1208.06bn at the start of June to a meagre NGN323.08bn at the last auction. This decline came despite ample system liquidity of NGN2.25trn as of 5th August, 2025. We believe that investors have and are continuing to rotate their funds into the equities market to partake of the rally ongoing there. It is also noteworthy that allotment fell by NGN164.88bn to NGN173.24 from NGN290.00bn (the lowest level since September 2024) as the government has continued to stagger their borrowing and manage borrowing costs. Also, bid-to-cover ratio increased to 2.12x from 2.00x in the prior auction.

Outlook on Yields

Our expectation for yield direction at the next auction is hinged on a couple of factors. First, we consider the current system liquidity deficit of -NGN94.56bn which suggests tight supply conditions. We expect this, coupled with investors' expectation of the new AUG-30 bond instrument that's to be floated next Monday, to lead to lower participation and bid level at tomorrow's auction. This is likely to translate into higher stop rates to draw participation. We also note that the government has only raised c.41% of its planned debt funding for the year 2025. With yields currently at relatively low levels, we believe there is enough wriggle room for an upward trend in yield levels.

The T-Bills secondary market has been relatively bearish since the last auction with average T-Bill yield increasing by 14bps to 17.98%, as sell-offs were observed at in mid and long-term bills, especially in JUN-26 and JUL-26 papers, with yields rising by 42bps and 91bps respectively.

Please refer to page 5 for our disclaimer notice and other relevant disclosures

Given the above, our rate guidance is informed by the need to strike a balance between maximising investment returns and having a successful bid. Thus, the recommended stop rates for the respective instruments are as follows:

Tenor	Offer Size	Advised Rates
91-Day	50.00bn	15.00% - 15.75%
182-Day	30.00bn	15.20% - 15.90%
364-Day	150.00bn	16.00% - 16.75%

Investing through Meristem Wealth Management Limited

Meristem Wealth Management Limited charges a transaction fee of 0.25% of the principal amount invested, and there will be three (3) days prior notification before maturity for all Treasury Bills investments. *The income from investing in T-Bills is not tax-exempt, so interest received is subject to withholding tax*. You will receive an immediate Investment confirmation letter for the Treasury bills. **Also, note that the T-Bills certificates can be used as collateral for securing loans.**

Participation Process

The T-bills Primary Auction bid is held twice a month (i.e. every other Wednesday). The above likely stop rates are our estimates and might not hold, as the final decision always lies with the CBN based on the auction process.

About Treasury Bills

Treasury Bills (T-bills) are marketable money market securities that raise money for the Government and are also used as monetary policy tools by the Central Bank. T-bills are short-term securities that mature in 1 year or less from their issue date. They are usually issued with 3-month, 6-month, and 1-year maturities.

How is Return Determined?

T-bills are purchased for a price less than their par (face) value; when they mature, the Government pays the holder the full par value. Effectively, your interest is the difference between the purchase price of the security and what you get at maturity.

The advised stop rate is different from the annualized yield of instruments. For example; the annualized yield of a 91-day T-bill, with a stop rate of 15.30% is 15.90%. If you buy a 91-day T-bill with a face value and stop rate of N1, 000,000 and 15.3% accordingly, the discounted value would be N962, 274. The difference between the face value and purchase price, which is N37, 726, is the money return and it implies 15.9% yield on annual basis. However, the holding period yield for this instrument is 3.75% since it is held for a 91-day period (3 months), and not a year.

How does the Auction Process work?

Treasury bills (as well as notes and bonds) are issued through a competitive bidding process at auctions.

Primary market trading of Treasury bill instruments entails auctions by the country's monetary authority – The Central Bank of Nigeria. **T-bills are auctioned at established rates, which determine the return to investors.** Purchasing these instruments in the primary market and holding them until maturity would mean the investor gets a fixed interest payment.

Benefits of T-bills

The biggest reason T-Bills are so popular is that they are one of the few money-market instruments affordable to individual investors. Other positives are that T-bills (and all treasuries) are considered risk-free investments because the full faith of the federal Government backs them. In addition, returns on T-bills are tax-free, unlike equities.

The only downside to T-bills is that investors will not get a great return (alpha) because Treasuries are considered "exceptionally safe".

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