

# Ahead of Next T-Bills Auction

## Treasury Bills Auction Scheduled for 3<sup>rd</sup> September 2025

### SUMMARY OF PREVIOUS AUCTION

#### Stop Rate:

91-Day	15.35%
182-Day	15.50%
364-Day	17.44%

#### Amount Allotted:

91-Day	NGN7.70bn
182-Day	NGN27.70bn
364-Day	NGN268.38bn

### SUMMARY OF CURRENT AUCTION

Auction Date September 3 2025

Settlement Date September 4 2025

#### Auction Size

91-Day	NGN50.00bn
182-Day	NGN80.00bn
364-Day	NGN350.00bn

#### Maturing Instruments

91-Day	NGN50.00mn
182-Day	NGN50.95mn
364-Day	NGN223.46mn

#### Meristem Advised Stop Rates

91-Day	15.00% - 15.74%
182-Day	15.20% - 15.90%
364-Day	17.00% - 17.74%

### Offer Summary

The Central Bank of Nigeria (CBN) is set to hold its first Treasury Bills (T-bills) Primary Market Auction (PMA) for the month on Wednesday, September 3, 2025, with a total offer size of NGN480.00bn across the three tenors. This is a significant increase from the NGN230.00bn offered at the previous auction. The offer ranges from NGN50.00bn in 91-day bills, NGN80.00bn in 182-day bills, and NGN350.00bn in 364-day bills.

### Outlook on Yield

In line with our expectations, stop rates on the 91-day and 364-day instruments inched higher by 35bps and 94bps to 15.35% (vs 15.00%) and 17.44% (vs 16.50%), respectively, while the 182-day bill remained unchanged at 15.50%. This brings true yield to an average of 19.20% from 18.58% at the previous auction. We allude this increase to tighter liquidity conditions before the auction and the government's need to incentivise investors to part with funds. While a net repayment of NGN73.79bn was anticipated pre-auction, the exercise ended neutral as maturities matched allotments at NGN303.79bn. Demand skewed towards longer tenors, with subscriptions for the 182-day and 364-day bills rising to NGN29.35bn and NGN356.18bn (vs. NGN20.87bn and NGN323.08bn at the previous auction), as investors sought to lock in higher yields. In contrast, demand for the 91-day instrument moderated, with subscription declining by 51.77% to NGN10.90bn from NGN22.66bn. Overall, total bid-to-offer ratio slipped to 1.30x (its lowest level since June) from 2.12x due to a 92.26% increase in allotment to NGN268.38bn at the prior auction.

### Outlook on Yields

In tomorrow's NTB auction, we expect a modest uptick in stop rates across all maturities. Today's OMO auction, which often signals rate direction, is likely to tighten system liquidity (currently NGN1.47bn as of September 2). We anticipate this will reinforce investors' preference for higher yields at the auction.

In the secondary market, bearish sentiment persisted post-auction, with sell pressures spread across the curve. Consequently, yields rose across all maturities. Yields on the short-dated bill increased by 2bp to 16.86% (vs 16.50%) due to a broad-based sell pressure across the curve, while yields on the mid segment rose by 5bps to 18.39% (vs 17.58) despite minimal buying in the 172-day bill. At the long-dated bill, sell pressures were sustained across maturities which pushed yields higher by 4bps to 20.00% (vs 19.16%). Overall, average T-bills yields increased by 4bps to 18.84% as of August 19, 2025, from 18.11% post-auction.

## Ahead of Next T-Bills Auction

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% - 15.74%
182-Day	80.00bn	15.20% - 15.90%
364-Day	350.00bn	17.00% - 17.74%

## 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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