

News Update: Carlyle-Backed Diamond Gets Cash Offer From Unnamed Investor

Diamond Bank Plc has received an offer from a major investor to inject cash by increasing its stake, a move that would help the Nigerian lender keep its capital adequacy ratio above the required threshold, according to the outgoing chairman.

The proposal was on condition that Chief Executive Officer Uzoma Dozie resigns, Seyi Bickersteth said in an interview in Lagos, the commercial capital, without naming the shareholder. Diamond's biggest investor is U.S. private equity firm Carlyle Group LP, which declined to comment. Ezechinyere Anyanwu, a spokesman for Diamond Bank, declined to comment on whether there has been a recapitalization.

[Bloomberg](#)
ECONOMIC INDICATORS

| | | |
|--------------------|------------------|---|
| Inflation (YoY) | 11.28% | ↑ |
| Exchange Rate (\$) | N306.65 | ↑ |
| MPR | 14.00% | ↔ |
| Foreign Reserves | \$41.79Bn | ↓ |
| Brent Crude | \$72.13pb | ↓ |

Fixed Income | Money Market | FX
Commentary

The FGN bond market traded on a quiet note with low trading volumes (less than N1bn) seen across the curve. Uncertainty on the direction of yields in the interim saw cautious trading by market participants, with tepid interest witnessed across some maturities.

We expect the market to remain order driven, however, with a more bearish bias as market participants maintain a risk neutral approach for bonds in the near term.

The T-bills market also traded on a relatively calm note as investors eye superior yields on the OMO T-bills expected to be issued tomorrow.

With the OMO maturity of c.N375.98bn tomorrow, the CBN is expected to float an OMO to control money supply in line with their mandate. **Consequently, we expect the market to be bearish as traders position for the OMO auction.**

Interest rates dropped today by c.100bps to close at 3.83% and 4.58% for OBB and OVN rates respectively due to the robust system liquidity, currently at c.N485bn.

OMO T-bills maturities of c.N375.98bn and retail FX bids refund will prompt the CBN to float an OMO auction tomorrow to mop up excess funds from the banking system. **Funding rates are consequently expected to move in line with the level of liquidity in the Money Market.**

At the Interbank, the Naira/USD spot and SMIS rates remained unchanged to close at N306.65/\$ and N361.45/\$ respectively. However, at the I&E FX window, the NAFEX closing rate depreciated by c.0.01% to N363.58/\$ from N364.54/\$ previously.

At the parallel market segment, the cash rates depreciated by 0.06% to close at N361.20 (from N361.00) while transfer rates remained unchanged at N364.50/\$ respectively.

Money Market Rates

| | Current (%) | Previous (%) |
|---------------------|-------------|--------------|
| Open Buy Back (OBB) | 3.83 | 4.83 |
| Overnight (O/N) | 4.58 | 5.42 |

FX Market

| | Current (N/\$) | Previous (N/\$) |
|-----------------|----------------|------------------|
| CBN Spot | 306.65 | 306.65 |
| CBN SMIS | 361.45 | 361.45 |
| I&E FX Window | 363.58 | 363.54 |
| Cash Market | 361.20 | 361.00 |
| Transfer Market | 364.50 | 364.50 |

FGN Bonds

| Description | Bid (%) | Offer (%) | Day Change (%) |
|-------------------|---------|-----------|----------------|
| 15.54 13-Feb-20 | 14.58 | 14.14 | 0.13 |
| 14.50 15-Jul-21 | 15.29 | 15.06 | 0.02 |
| 16.39 27-Jan-22 | 15.11 | 14.33 | (0.02) |
| 14.20 14-Mar-24 | 15.31 | 15.16 | 0.00 |
| 12.50 22-Jan-26 | 15.63 | 15.47 | 0.03 |
| 16.29 17-Mar-27 | 15.62 | 15.45 | (0.03) |
| 13.98 23-Feb-28 | 15.83 | 15.68 | 0.06 |
| 12.15 18-Jul-34 | 15.85 | 15.65 | 0.06 |
| 12.40 18-Mar-36 | 15.69 | 15.59 | 0.01 |
| 16.2499 18-Apr-37 | 15.41 | 15.30 | 0.00 |

Treasury Bills

| Description | Bid (%) | Offer (%) | Day Change (%) |
|-------------|---------|-----------|----------------|
| 6-Dec-18 | 12.50 | 11.85 | 0.00 |
| 3-Jan-19 | 12.80 | 12.30 | 0.00 |
| 14-Feb-19 | 12.60 | 12.45 | (0.10) |
| 14-Mar-19 | 12.80 | 12.25 | 0.00 |
| 4-Apr-19 | 12.75 | 12.25 | 0.00 |
| 18-Jul-19 | 13.00 | 12.70 | 0.00 |
| 1-Aug-19 | 13.70 | 13.00 | 0.20 |
| 12-Sep-19 | 14.35 | 14.25 | 0.00 |
| 3-Oct-19 | 14.50 | 14.25 | 0.00 |

Primary Market Auction Results
NTB - 31 October 2018

| Tenor | Rate (%) | Offer (N'bn) | Sub (N'bn) | Sale (N'bn) |
|----------|----------|--------------|------------|-------------|
| 91 days | 10.98 | 9.54 | 7.91 | 7.85 |
| 182 days | 13.49 | 47.71 | 43.52 | 43.52 |
| 364 days | 14.40 | 88.04 | 212.00 | 93.92 |

FGN Bonds - 24 October 2018

| Maturity | Rate (%) | Offer (N'bn) | Sub (N'bn) | Sale (N'bn) |
|----------|----------|--------------|------------|-------------|
| Apr-23 | 15.00 | 35.00 | 16.50 | 12.65 |
| Mar-25 | 15.15 | 35.00 | 24.90 | 20.14 |
| Feb-28 | 15.32 | 45.00 | 102.08 | 55.29 |

OMO - 6 November 2018

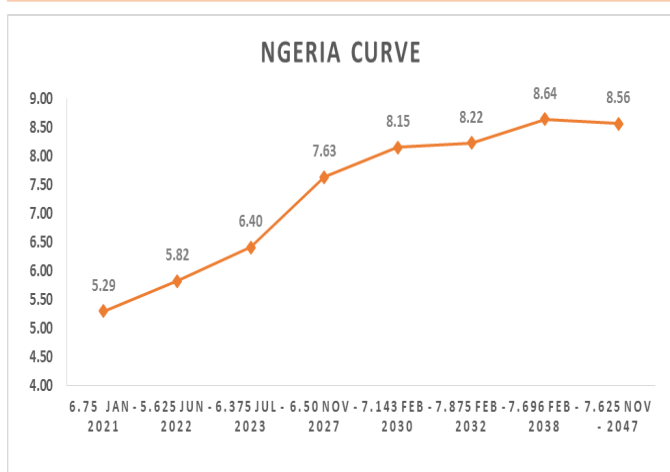
| Tenor | Rate (%) | Offer (N'bn) | Sub (N'bn) | Sale (N'bn) |
|---------|----------|--------------|------------|-------------|
| 121 day | 11.50 | 50.00 | 0.21 | 0.21 |
| 184 day | 13.00 | 150.00 | 77.37 | 73.30 |
| 338 day | 14.50 | 300.00 | 245.22 | 242.72 |

Eurobonds

The **NGERIA Sovereigns** saw muted trading activity in today's trading session with little market reaction to the outcome of mid-term elections held in the U.S. Client interests were witnessed on the NGERIA 23s, 38s and 48s as yields compressed marginally by c.2bps across the curve.

NGERIA Corps saw more trading activity with interests witnessed across the traded tickers. DIAMBK 19s continued to receive the most interest as clients continue to digest news flow including reports hinting a possible cash injection from a major investor to increase its stake in the bank.

With the \$276m of GRTBNL 18s set to mature later this week, we expect further demand from local investors for NGERIA Sovereign and Corps papers.



NIGERIAN SOVEREIGNS

| Description | Price | Mid (YTM) | Change (%) |
|------------------|--------|-----------|---------------|
| 6.75 Jan - 2021 | 103.00 | 5.29 | 0.00 |
| 5.625 Jun - 2022 | 99.38 | 5.82 | 0.04 |
| 6.38 Jul - 2023 | 99.88 | 6.40 | (0.03) |
| 6.50 Nov - 2027 | 92.70 | 7.63 | (0.06) |
| 7.143 Feb - 2030 | 92.66 | 8.15 | (0.02) |
| 7.875 Feb - 2032 | 97.20 | 8.22 | (0.01) |
| 7.696 Feb - 2038 | 91.20 | 8.64 | (0.01) |
| 7.625 Nov - 2047 | 89.70 | 8.56 | (0.07) |

NIGERIAN CORPORATES

| Description | Bid Price | Bid Yield (%) | Change (%) |
|-------------------|-----------|---------------|---------------|
| 6.25 ZENITH 2019 | 100.38 | 5.39 | (0.01) |
| 8.75 DIAMBK 2019 | 90.50 | 29.21 | 1.29 |
| 9.25 ACCESS 2021 | 100.38 | 10.26 | (0.04) |
| 8.00 FBNNL 2021 | 100.38 | 8.99 | 0.02 |
| 8.75 ECOTRA 2021 | 99.75 | 9.95 | 0.02 |
| 10.50 ACCESS 2021 | 107.75 | 7.51 | (0.05) |
| 7.375 Zenith 2022 | 101.50 | 6.89 | 0.00 |
| 7.75 UBANL 2022 | 101.12 | 7.39 | 0.00 |
| 10.5 FIDBAN 2022 | 101.50 | 10.03 | 0.00 |
| 9.25 SEPLLN 2023 | 101.25 | 8.90 | 0.28 |

Sources: FMDQ, CBN, Bloomberg, Rexel BDC, Zedcrest research

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