



Fixed Income Market Monitor

Tuesday, 19 June - Friday, 22 June 2018

Money Market

The money market rate decreased marginally last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) fell to 3.58% and 2.83% respectively. Consequently, the average money market rate decreased by 0.76% to settle at 3.21% as system liquidity is estimated to have increased significantly to c. N542bn, following inflows from T-bill maturities of c. N444.29bn and the refund of the previous retail FX provision during the week.

We expect rates to be relatively stable in the near term, due to the buoyant system liquidity and the slowdown in OMO issuance by the CBN.

Instrument	14/06/2018	22/06/2018	%Change
OBB	3.67%	2.83%	-0.84%
OVN	4.25%	3.58%	-0.67%

Forex: USD/NGN

The CBN Official rate fell by 0.02% during the week to close at N305.80/\$ while the rate in the Investors and Exporters' FX Window fell by 0.02% to close at N361.00/\$. Naira at the parallel market remained unchanged to close at N362.00/\$ (using the Everdon Rate).

We expect rates in the parallel market to remain constant as the apex bank continues to supply FX into the market at a reduced rate and funds remain easily accessible through the NAFEX window. Also, we expect CBN Renminbi auction to start this week.

	14/06/2018	22/06/2018	Change
CBN Official	305.85	305.80	-0.02%
I&E FX Window	361.07	361.00	-0.02%
Everdon Rate	362.00	362.00	0.00%

Commodities:

According to Bloomberg, Saudi Energy Minister Khalid Al-Falih signaled a real supply gain approaching 1 million barrels a day after OPEC adopted a pact aimed at lifting output. He was seeking to reassure the market after several cartel members said the actual increase will only reach 700,000 because some nations are incapable of pumping more.

Fixed Income

Bond

Bearish sentiments were witnessed in the bond market last week as yields increased across all maturities with the exception of 15 Jul 2021 bond which fell by 0.01% to close the week at N102.52.

However, the bond market was relatively more active last week as the total number of transactions and value rose to 355 and N139.2 billion respectively from 290 and N124.7 billion respectively in the previous week.

We expect a mixed reaction this week as the Debt Management Office (DMO) is set to hold its bond auction on Wednesday with the re-opening of Apr 2023, Mar 2025 and Feb 2028 bonds.

Description	Maturity Date	14/06/2018	22/06/2018	Change (%)
16.00 29-JUN-2019	29-Jun-19	11.91	12.50	0.59
15.54 13-FEB-2020	13-Feb-20	13.00	13.01	0.01
14.50 15-JUL-2021	15-Jul-21	13.47	13.46	-0.01
16.39 27-JAN-2022	27-Jan-22	13.16	13.68	0.52
14.20 14-MAR-2024	14-Mar-24	13.33	13.40	0.07
12.50 22-JAN-2026	22-Jan-26	13.52	13.73	0.21
16.2884 17-MAR-2027	17-Mar-27	13.36	13.70	0.34
13.98 23-FEB-2028	23-Feb-28	13.46	13.57	0.11
10.00 23-JUL-2030	23-Jul-30	13.59	13.81	0.22
12.1493 18-JUL-2034	18-Jul-34	13.64	13.89	0.25
12.40 18-MAR-2036	18-Mar-36	13.64	13.79	0.15
16.2499 18-APR-2037	18-Apr-37	13.56	13.80	0.24

Treasury Bills

Despite buoyant system liquidity during the week, the treasury bills market traded on a bearish note as offshore investors exited their position. Consequently, the average yield rose by 20 bps to close the week at 12.89%. Market activities was relatively quiet as value of transactions fell to N943.7 billion from N966.7 billion in the previous week.

During the week, the CBN Treasury Bill Primary Market Auction witnessed rate reduction in the 91 days and 182 days bills while rate in 364 days remained unchanged.

Primary Market Auction Result

	Offered (N'b)	Subscribed (N'b)	Rate (%)	Yield (%)
91 days	5.40	5.40	10.00	10.26
182 days	20.00	20.16	10.30	10.86
364 days	41.29	37.58	11.50	12.99

Secondary Market

DTM	Maturity Date	14/06/2018	22/06/2018	% Change
13	05-Jul-18	11.99	12.82	0.83
41	02-Aug-18	12.9	13.07	0.17
76	06-Sep-18	12.51	12.65	0.14
104	04-Oct-18	12.63	12.64	0.01
132	01-Nov-18	12.77	13.29	0.52
167	06-Dec-18	12.76	13.48	0.72
195	03-Jan-19	13.02	12.74	-0.28
237	14-Feb-19	13.89	13.57	-0.32
265	14-Mar-19	13.97	13.8	-0.17
286	04-Apr-19	14.08	13.75	-0.33