



# Fixed Income Market Monitor

Monday, 09 July - Friday, 13 July 2018

## Money Market

The money market rate decreased slightly last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) fell to 9.42% and 8.92% respectively. Consequently, the average money market rate decreased marginally by 2.96% to settle at 9.17% as system liquidity is estimated to have increased to c.N303bn, following OMO T-bill maturities of c.N406bn which is higher than the outflow from OMO sales (c.N315.3bn), and FX Wholesale, Invisibles and SME (c.N90bn) during the week.

We expect rates to inch up next week, barring any inflow from CBN for FAAC, and as Banks prepare for Wholesale, invisibles and SME FX Bids.

| Instrument | 06/07/2018 | 13/07/2018 | Change |
|------------|------------|------------|--------|
| OBB        | 11.33%     | 8.92%      | -2.41% |
| OVN        | 12.92%     | 9.42%      | -3.50% |

## Forex: USD/NGN

The CBN Official rate rose by 0.03% during the week to close at N305.80/\$ while the rate in the Investors and Exporters' FX Window fell by 0.39% to close at N361.16/\$. Naira at the parallel market remained unchanged to close at N361.00/\$ (using the Everdon BDC 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.

|               | 06/07/2018 | 13/07/2018 | Change |
|---------------|------------|------------|--------|
| CBN Official  | 305.70     | 305.80     | +0.03% |
| I&E FX Window | 362.58     | 361.16     | -0.39% |
| Everdon Rate  | 361.00     | 361.00     | +0.00% |

## Commodities

The Brent Crude oil and WTI crude oil fell by 2.31% and 3.78% to close at \$75.33 per barrel and \$71.01 per barrel respectively as Libya reopened its ports in the east and increased hopes that Iran will export some crude oil despite US sanctions following the US secretary of State, Mike Pompeo's statement regarding the consideration of granting waivers to some Iran's Crude oil buyers.

Also, the crude slipped due broader market fears that a US-China trade dispute could hit global economic growth.

## Fixed Income

### Bond

The Bond market traded on a mixed note last week as bearish sentiments were witnessed on the short end of the curve while the longer tenor bond saw some demand from domestic investors with the demand well pronounced in 2027 and 2036 bonds. The average yield in the bond market fell by 3bps to close the week at 13.88%.

However, the bond market was relatively active last week as the total number of transactions and value rose to 540 and N162.1 billion respectively from 382 and N150.7 billion respectively in the previous week.

### Secondary Market

| Description         | Maturity Date | 06/07/2018 | 13/07/2018 | %Change |
|---------------------|---------------|------------|------------|---------|
| 16.00 29-JUN-2019   | 29-Jun-19     | 13.25      | 13.31      | +0.06   |
| 15.54 13-FEB-2020   | 13-Feb-20     | 13.43      | 13.52      | +0.09   |
| 14.50 15-JUL-2021   | 15-Jul-21     | 13.46      | 13.59      | +0.13   |
| 16.39 27-JAN-2022   | 27-Jan-22     | 13.80      | 13.69      | -0.11   |
| 14.20 14-MAR-2024   | 14-Mar-24     | 13.83      | 13.91      | +0.08   |
| 12.50 22-JAN-2026   | 22-Jan-26     | 13.96      | 13.97      | +0.01   |
| 16.2884 17-MAR-2027 | 17-Mar-27     | 14.12      | 13.99      | -0.13   |
| 13.98 23-FEB-2028   | 23-Feb-28     | 14.21      | 14.07      | -0.14   |
| 10.00 23-JUL-2030   | 23-Jul-30     | 14.09      | 14.07      | -0.02   |
| 12.1493 18-JUL-2034 | 18-Jul-34     | 14.20      | 14.16      | -0.04   |
| 12.40 18-MAR-2036   | 18-Mar-36     | 14.34      | 14.15      | -0.19   |
| 16.2499 18-APR-2037 | 18-Apr-37     | 14.26      | 14.18      | -0.08   |

### Treasury Bills

Due to relatively buoyant system liquidity during the week, the treasury bills market traded on a bullish note. Consequently, the average yield fell by 21 bps to close the week at 12.18%. Market activities was relatively active as value of transactions rose to N1.07 trillion from N1.01 trillion in the previous week.

Last week, CBN floated OMO on September and February maturities at 11.05% and 12.15% with a total subscription of NO.013bn and N315.32bn respectively.

We expect a mixed reaction next week as the CBN is set to hold its Treasury Bill Primary Market Auction on Wednesday. The CBN is expected to rollover same amount of bills maturing (91 days - N5.85 bn, 182 days - N26.60 bn and 364 days - 147.96 bn).

### Secondary Market

| DTM | Maturity Date | 06/07/2018 | 13/07/2018 | %Change |
|-----|---------------|------------|------------|---------|
| 13  | 26-Jul-18     | 11.42      | 11.33      | -0.09   |
| 41  | 23-Aug-18     | 11.94      | 11.02      | -0.92   |
| 76  | 27-Sep-18     | 11.93      | 11.73      | -0.20   |
| 83  | 04-Oct-18     | 11.36      | 12.09      | +0.73   |
| 118 | 08-Nov-18     | 12.62      | 11.86      | -0.76   |
| 146 | 06-Dec-18     | 12.91      | 12.99      | +0.08   |
| 181 | 10-Jan-19     | 12.80      | 12.58      | -0.22   |
| 202 | 31-Jan-19     | 12.77      | 12.85      | +0.08   |
| 216 | 14-Feb-19     | 12.85      | 13.06      | +0.21   |
| 244 | 14-Mar-19     | 13.45      | 13.07      | -0.38   |
| 251 | 21-Mar-19     | 13.43      | 13.21      | -0.22   |
| 265 | 04-Apr-19     | 13.40      | 13.49      | +0.09   |