



Fixed Income Market Monitor

Monday, 23 July - Friday, 27 July 2018

Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) fell to 7.25% and 6.83% respectively. Consequently, the average money market rate decreased by 8.30% to settle at 7.04% as system liquidity increased to cN265.8bn due to inflow from FAAC payment of N321bn, OMO maturity of N404bn and Coupon Payment of N116 bn despite outflows from OMO Sales of N584bn, Bond Sales of N66.9bn and FX Wholesale, Invisibles and SME of N9 bn during the week

We expect rates to inch up on Monday as banks are expected to fund for another round of FX sales in the Wholesale, Invisibles and SME Market, however with the inflow from OMO and T-Bills Maturity this week we expect the rates to moderate.

Instrument	20/07/2018	27/07/2018	Change
OBB	15.00%	6.83%	-8.17%
OVN	15.67%	7.25%	-8.42%

Forex: USD/NGN

The CBN Official rate rose by 0.02% during the week to close at N305.90/\$ while the rate in the Investors and Exporters' FX Window rose by 0.19% to close at N362.28/\$. Naira at the parallel market remained unchanged to close at N360.00/\$ (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.

	20/07/2018	27/07/2018	Change
CBN Official Rate	305.85	305.90	+0.02%
I&E FX Window	361.60	362.28	+0.19%
Everdon Rate	360.00	360.00	+0.00%

Commodities

The Brent Crude oil and WTI crude oil rose by 1.67% and 0.63% to close at \$74.29 per barrel and \$68.69 per barrel respectively due to reduction in supply following the attack on Saudi Arabian tankers by Yemen's Iran-aligned Houthi Movement coupled with dwindling US crude inventories and reduction in the trade tension between the US and the European Union.

The US crude inventories was at its lowest since 2015 during the week.

Fixed Income

Bond

The Bond market traded on a bearish note last week as selloff were witnessed on most tenors. Investors were bearish on 2028 FGN bond due to higher marginal rate at the Bond Auction held during the week. The average yield in the bond market rose by 15bps to close the week at 14.01%.

However, the bond market was relatively quiet last week as the total value of transactions fell to N118.7 billion from N202.9 billion respectively in the previous week.

During the week, the Bond Auction witnessed an 85.58% subscription rate with investors showing preference for the Ten (10) years (FGN FEB 2028) Bond as it witnessed 126.28% subscription rate while the 5 years (FGN APR 2023) and 7 years (FGN MAR 2025) witnessed a subscription rate of 51.72% and 54.32% respectively.

Bond Auction

	Amount Offered (N)	Subscription (N)	Alloted (N)	Marginal Rate
FGN APR 2023	25bn	12.93bn	8.93bn	13.69%
FGN MAR 2025	25bn	13.58bn	11.58bn	14.00%
FGN FEB 2028	40bn	50.51bn	46.39bn	14.30%

Secondary Market

Description	Maturity Date	Yield 20/07/2018	Yield 27/07/2018	% Change
15.54 13-FEB-2020	13-Feb-20	13.67	13.73	+0.06
14.50 15-JUL-2021	15-Jul-21	13.56	13.69	+0.13
16.39 27-JAN-2022	27-Jan-22	13.74	13.55	-0.19
14.20 14-MAR-2024	14-Mar-24	13.85	13.76	-0.09
12.50 22-JAN-2026	22-Jan-26	14.11	14.11	+0.00
16.2884 17-MAR-2027	17-Mar-27	14.01	13.96	-0.05
13.98 23-FEB-2028	23-Feb-28	14.18	14.29	+0.11
10.00 23-JUL-2030	23-Jul-30	14.12	14.18	+0.06
12.1493 18-JUL-2034	18-Jul-34	14.12	14.25	+0.13
12.40 18-MAR-2036	18-Mar-36	14.23	14.32	+0.09
16.2499 18-APR-2037	18-Apr-37	14.16	14.22	+0.06

Treasury Bills

Despite a relatively buoyant system liquidity during the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose by 11 bps to close the week at 11.97%. Market activities was relatively quiet as value of transactions fell to N956.28 billion from N1.20 trillion in the previous week.

During the week, CBN floated OMO on 91 days and 210 days T-Bills maturities at 11.05% and 12.15% with a total subscription of N73.65bn and N274.98bn respectively.

The Central Bank of Nigeria (CBN) is set to hold its Treasury Bills Primary Market Auction (PMA) on Wednesday, 01 August 2018. The CBN is expected to roll over the same amount of T-Bills maturing.

Secondary Market

DTM	Maturity Date	Yield 20/07/2018	Yield 27/07/2018	% Change
13	09-Aug-18	10.78	10.91	+0.13
20	16-Aug-18	10.89	10.81	-0.08
62	27-Sep-18	11.05	10.64	-0.41
97	01-Nov-18	11.31	11.31	+0.00
132	06-Dec-18	12.66	12.62	-0.04
139	13-Dec-18	12.46	12.55	+0.09
167	10-Jan-19	12.58	12.70	+0.12
188	31-Jan-19	12.39	12.41	+0.02
195	07-Feb-19	12.85	12.80	-0.05
202	14-Feb-19	12.69	12.88	+0.19
237	21-Mar-19	13.51	12.14	-1.37
251	04-Apr-19	13.29	13.42	+0.13
356	18-Jul-19	12.41	12.71	+0.30