



# Fixed Income Market Monitor

Monday, 25 June - Friday, 29 June 2018

## Money Market

The money market rate increased significantly last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) rose to 13.17% and 14.08% respectively. Consequently, the average money market rate increased by 10.42% to settle at 13.63% as system liquidity is estimated to have reduced significantly to c. N110bn, following the Wholesale FX sales (\$210m), Bond sale debit of N31.2bn and OMO T-bill sales (N207bn) by the CBN during the week.

We expect rates to inch up slightly next week barring inflow from FAAC.

Instrument	22/06/2018	29/06/2018	Change
OBB	2.83%	13.17%	+10.34%
OVN	3.58%	14.08%	+10.50%

## Forex: USD/NGN

The CBN Official rate fell by 0.02% during the week to close at N305.75/\$ while the rate in the Investors and Exporters' FX Window rose by 0.09% to close at N361.32/\$. Naira at the parallel market strengthened 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.

The CBN is set to hold a sensitization session on bilateral currency swap agreement between Nigeria and China in Aba and Lagos on Monday, 02 July and Wednesday, 04 July 2018 in Aba and Lagos respectively.

	22/06/2018	29/06/2018	Change
CBN Official	305.80	305.75	-0.02%
I&E FX Window	361.00	361.32	+0.09%
Everdon Rate	362.00	361.00	-0.28%

## Commodities:

Gold Future (GCQ18) price fell by 0.33% week on week to close the week at \$1,254.20 an ounce as the Federal Reserve remains on a path of higher interest rates and balance sheet run-off, providing support for the U.S. dollar and putting pressure on gold prices.

## Fixed Income

### Bond

Bearish sentiments were witnessed in the bond market last week as yields increased in the mid and long ends of the curve while at the short end, yield contracted with increased demand pressure on the Feb 2020 bonds (68 bps). The average yield in the bond market rose by 13bps to close the week at 13.66%.

However, the bond market was relatively more active last week as the total number of transactions and value rose to 399 and N202.3 billion respectively from 355 and N139.2 billion respectively in the previous week.

### Bond Auction – 27 June 2018

Tenor	Previous Marginal Rate	Current Marginal Rate	Offer (N)	Subscription (N)
5 years	13.50%	13.50%	20bn	8.29bn
7 years	13.50%	13.80%	20bn	10.90bn
10 years	13.55%	13.81%	20bn	47.53bn

### Secondary Market

Description	Maturity Date	Yield 22/06/2018	Yield 29/06/2018	%Change
16.00 29-JUN-2019	29-Jun-19	12.50	13.17	+0.67
15.54 13-FEB-2020	13-Feb-20	13.01	12.33	-0.68
14.50 15-JUL-2021	15-Jul-21	13.46	13.30	-0.16
16.39 27-JAN-2022	27-Jan-22	13.68	13.66	-0.02
14.20 14-MAR-2024	14-Mar-24	13.40	13.40	0.00
12.50 22-JAN-2026	22-Jan-26	13.73	13.96	+0.23
16.2884 17-MAR-2027	17-Mar-27	13.70	13.80	+0.10
13.98 23-FEB-2028	23-Feb-28	13.57	14.02	+0.45
10.00 23-JUL-2030	23-Jul-30	13.81	14.07	+0.26
12.1493 18-JUL-2034	18-Jul-34	13.89	14.16	+0.27
12.40 18-MAR-2036	18-Mar-36	13.79	14.10	+0.31
16.2499 18-APR-2037	18-Apr-37	13.80	13.96	+0.16

### Treasury Bills

Due to low system liquidity during the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose by 8 bps to close the week at 12.97%. Market activities was relatively quiet as value of transactions fell to N807.7 billion from N943.7 billion in the previous week.

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 – N9.5 bn, 182 days – N33.9 bn and 364 days – 127.1 bn).

### Secondary Market

DTM	Maturity Date	Yield 22/06/2018	Yield 29/06/2018	%Change
13	12-Jul-18	12.42	13.04	+0.62
34	02-Aug-18	13.07	12.87	-0.20
69	06-Sep-18	12.65	12.76	+0.11
97	04-Oct-18	12.64	12.79	+0.15
125	01-Nov-18	13.29	13.05	-0.24
160	06-Dec-18	13.48	13.09	-0.39
188	03-Jan-19	12.74	13.1	+0.36
230	14-Feb-19	13.57	13.43	-0.14
258	14-Mar-19	13.8	13.85	+0.05
279	04-Apr-19	13.75	13.9	+0.15