



Fixed Income Market Monitor

Monday, 06 August - Friday, 10 August 2018

Money Market

The money market rate increased last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) rose to 9.25% and 8.42% respectively. Consequently, the average money market rate increased by 4.01% to settle at 8.84% as system liquidity decreased to c249bn due to outflows from Wholesale, Invisibles and SME FX provisioning by banks of N90m and OMO sales of N377 bn despite an inflow of N452 bn from OMO T-bills maturity 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 T-bills Maturity this week we expect the rates to moderate.

Instrument	03/08/2018	10/08/2018	Change
OBB	4.33%	8.42%	+4.09%
OVN	5.33%	9.25%	+3.92%

Forex: USD/NGN

The CBN Official rate rose by 0.02% during the week to close at N306.00/\$ while the rate in the Investors and Exporters' FX Window fell by 0.18% to close at N362.00/\$. 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.

	03/08/2018	03/08/2018	Change
CBN Official Rate	305.95	306.00	+0.02%
I&E FX Window	362.67	362.00	-0.18%
Everdon Rate	360.00	360.00	+0.00%

Commodities

The Brent Crude oil and WTI crude oil fell by 0.55% and 1.26% to close at \$72.81 per barrel and \$67.63 per barrel respectively due to the increase in the number of active drilling rigs in the United States by 13 to 1,057.

Other factors include the trade war between the United States and China, which took a new shape last week as both countries released the coverage of their new tariffs.

Fixed Income

Bond

The Bond market traded on a bearish note last week as sell offs were witnessed on most tenors, most especially 2020 and 2027 bonds, this can be attributed to the following: foreign investors sell off in emerging markets as Turkey's financial crisis deepens, and weak demand as investors anticipate the re-opening of bonds this week. The average yield in the bond market rose by 24bps to close the week at 14.21%.

However, the bond market was relatively active last week as the total value of transactions rose to N177.3 billion from N176.8 billion in the previous week.

We expect a mixed performance this week as Federal Government, through the Debt Management Office (DMO), re-issue FGN APR 2023, FGN MAR 2025 and FGN FEB 2028 Bonds on Wednesday, 15 August 2018.

Secondary Market

Description	Maturity Date	Yield 03/08/2018	Yield 10/08/2018	% Change
15.54 13-FEB-2020	13-Feb-20	13.31	13.96	+0.65
14.50 15-JUL-2021	15-Jul-21	13.68	14.04	+0.36
16.39 27-JAN-2022	27-Jan-22	13.77	13.74	-0.03
14.20 14-MAR-2024	14-Mar-24	13.74	13.99	+0.25
12.50 22-JAN-2026	22-Jan-26	14.14	14.19	+0.05
16.2884 17-MAR-2027	17-Mar-27	14.02	14.50	+0.48
13.98 23-FEB-2028	23-Feb-28	14.23	14.47	+0.24
10.00 23-JUL-2030	23-Jul-30	14.18	14.33	+0.15
12.1493 18-JUL-2034	18-Jul-34	14.22	14.45	+0.23
12.40 18-MAR-2036	18-Mar-36	14.22	14.47	+0.25
16.2499 18-APR-2037	18-Apr-37	14.18	14.17	-0.01

Treasury Bills

Due to reduction in system liquidity during the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose by 20bps to close the week at 12.00%. Market activities was relatively active as value of transactions rose to N762.42 billion from N686.44 billion in the previous week.

During the week, CBN floated OMO on 91 days and 203 days T-Bills maturities at 11.05% and 12.15% with a total subscription of N27.43bn and N349.64bn respectively.

The Central Bank of Nigeria is expected to conduct its T-Bills Primary Market Auction on Wednesday, 15 August 2018. The CBN is expected to rollover the same amount of T-bills maturing.

Secondary Market

DTM	Maturity Date	Yield 03/08/2018	Yield 10/08/2018	% Change
13	23-Aug-18	10.26	11.02	+0.76
34	13-Sep-18	11.50	11.63	+0.13
76	25-Oct-18	11.17	11.55	+0.38
83	01-Nov-18	11.24	11.92	+0.68
118	06-Dec-18	12.58	12.53	-0.05
125	13-Dec-18	12.46	12.66	+0.20
146	03-Jan-19	12.55	12.68	+0.13
153	10-Jan-19	12.63	12.66	+0.03
174	31-Jan-19	12.43	12.58	+0.15
181	07-Feb-19	12.81	12.99	+0.18
188	14-Feb-19	12.93	12.88	-0.05
223	21-Mar-19	12.08	12.37	+0.29
237	04-Apr-19	13.27	13.00	-0.27
342	18-Jul-19	12.54	12.86	+0.32