



# Fixed Income Market Monitor

Monday, 13 August - Friday, 17 August 2018

## Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) fell to 8.33% and 7.33% respectively. Consequently, the average money market rate decreased by 1.01% to settle at 7.83% as system liquidity increased to c500bn due to inflow from OMO T-Bills maturity of cN514bn, T-Bills maturity of cN33.38bn and CBN refund from retail FX provision of cN150bn despite an outflow from Wholesale, Invisible & SME FX auction of \$210mn, OMO T-bill sales of cN153.54bn, Bond auction of cN39.7bn, T-bill auction of cN33.38bn and retail FX bid (Yuan and USD) 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 FAAC next week coupled with Salah break on Tuesday and Wednesday, we expect to be relatively stable.

Instrument	10/08/2018	17/08/2018	Change
OBB	8.42%	7.33%	-1.09%
OVN	9.25%	8.33%	-0.92%

## Forex: USD/NGN

The CBN Official rate rose by 0.03% during the week to close at N306.10/\$. Also, the rate in the Investors and Exporters' FX Window fell by 0.14% to close at N362.50/\$. 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 coupled with its frequent Wholesale and Retail SMIS programme.

	10/08/2018	17/08/2018	Change
CBN Official Rate	306.00	306.10	+0.03%
I&E FX Window	362.00	362.50	+0.14%
Everdon Rate	360.00	360.00	+0.00%

## Commodities

The Brent Crude oil and WTI crude oil fell by 1.35% and 2.54% to close at \$71.83 per barrel and \$65.91 per barrel respectively amidst trade war between United States and China coupled with increase in US Crude Oil inventories.

Also, commodities traders were more fixated on the financial crisis in Turkey due to the crisis impact on other emerging economies.

We expect commodities market to take a new shape this week as China and US resume trade talks this week.

## Fixed Income

### Bond

The Bond market traded on a bearish note last week as sell offs were witnessed on all tenors. The 2036 and 2028 bonds are the most traded bonds during the week with N35.06bn and N72.63bn value traded respectively. This can be attributed to the following: continued foreign investors sell off in emerging markets due Turkey's financial crisis, and high spot rate witnessed at the auction conducted during the week. The average yield in the bond market rose by 48bps to close the week at 14.66%.

During the week, the auction witnessed an increase in the stop rate from the previous auction:

**5 years Bond:** Rose from 13.69% to 14.39%

**7 years Bond:** Rose from 14.00% to 14.60%

**10 years Bond:** Rose from 14.30% to 14.69%

### Bond Auction

	Offer	Subscription	Allotment	Spot Rate
12.75% FGN APR 2023	N25 billion	N6.67 billion	N3.97 billion	14.39%
13.53% FGN MAR 2025	N25 billion	N24.35 billion	N14.35 billion	14.60%
13.98% FGN FEB 2028	N40 billion	N69.76 billion	N21.38 billion	14.69%

### Secondary Market

Description	Maturity Date	Yield 10/08/2018	Yield 17/08/2018	%Change
15.54 13-FEB-2020	13-Feb-20	13.96	14.05	+0.09
14.50 15-JUL-2021	15-Jul-21	14.04	14.66	+0.62
16.39 27-JAN-2022	27-Jan-22	13.74	14.37	+0.63
12.75 27-APR-2023	27-Apr-23	13.88	14.52	+0.64
14.20 14-MAR-2024	14-Mar-24	13.99	14.63	+0.64
13.53 23-MAR-2025	23-Mar-25	14.10	14.74	+0.64
12.50 22-JAN-2026	22-Jan-26	14.19	14.83	+0.64
16.2884 17-MAR-2027	17-Mar-27	14.50	14.92	+0.42
13.98 23-FEB-2028	23-Feb-28	14.47	14.86	+0.39
10.00 23-JUL-2030	23-Jul-30	14.33	14.87	+0.54
12.1493 18-JUL-2034	18-Jul-34	14.45	14.91	+0.46
12.40 18-MAR-2036	18-Mar-36	14.47	15.01	+0.54
16.2499 18-APR-2037	18-Apr-37	14.17	14.17	+0.00

### Treasury Bills

Despite an increase 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 12.20%. Market activities was relatively active as value of transactions rose to N972.99bn from N762.42bn in the previous week.

### Primary Auction Result:

Tenor	91-Day	182-Day	364-Day
Offer Amount	3,384,180,000	10,000,000,000	20,000,000,000
Total Subscription	3,384,180,000	10,050,001,000	36,033,914,000
Allotment	3,384,180,000	10,000,000,000	20,000,000,000
Range of Bid Rates (%):	9.80 – 10.00	10.00 – 13.75	10.50 – 15.00
Stop Rates (%):	10.00	10.40	11.22

### Secondary Market

DTM	Maturity Date	Yield 10/08/2018	Yield 17/08/2018	%Change
13	30-Aug-18	10.48	10.26	-0.22
20	06-Sep-18	10.38	9.95	-0.43
27	13-Sep-18	11.63	11.25	-0.38
69	25-Oct-18	11.55	11.65	+0.10
76	01-Nov-18	11.92	12.47	+0.55
111	06-Dec-18	12.53	12.82	+0.29
118	13-Dec-18	12.66	12.71	+0.05
139	03-Jan-19	12.68	13.00	+0.32
146	10-Jan-19	12.66	12.90	+0.24
167	31-Jan-19	12.58	13.19	+0.61
174	07-Feb-19	12.99	13.10	+0.11
181	14-Feb-19	12.88	13.25	+0.37
216	21-Mar-19	12.37	12.79	+0.42
230	04-Apr-19	13.00	13.23	+0.23
335	18-Jul-19	12.86	13.44	+0.58