



Fixed Income Market Monitor

Monday, 20 August - Friday, 24 August 2018

Money Market

The money market rate decreased marginally last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) fell to 7.92% and 6.75% respectively. Consequently, the average money market rate decreased by 0.50% to settle at 7.34% despite reduction in the system liquidity to close at cN361bn due to outflow from Wholesale, Invisible & SME FX auction of \$210mn, OMO T-bill sales of cN97.9bn, and CRR of cN22bn despite an inflow from OMO T-bills maturities of cN364.33bn 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 this week, OMO T-bills and T-bills maturities we expect the rate to decline.

Instrument	17/08/2018	24/08/2018	Change
OBB	7.33%	6.75%	-0.58%
OVN	8.33%	7.92%	-0.41%

Source: Anchororia AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate remained unchanged during the week to close at N306.10/\$, while the rate in the Investors and Exporters' FX Window fell by 0.04% to close at N362.35/\$. 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.

	17/08/2018	24/08/2018	Change
CBN Official Rate	306.10	306.10	+0.00%
I&E FX Window	362.50	362.35	-0.04%
Everdon Rate	360.00	360.00	+0.00%

Source: Anchororia AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI crude oil rose by 5.55% and 4.26% to close at \$75.82 per barrel and \$68.72 per barrel respectively due to the decline in US Crude Oil inventories.

According to the Energy Information Administration report, the domestic crude supplies fell by 5.8 million barrels for the week ended Aug. 17 which is far above S&P Global Platts forecast of 3.4 million barrels decline.

Also, Saudi Arabia has formally put the initial public offering of its giant oil company on hold, while Aramco focuses on buying a strategic stake in local petrochemical group Sabic for as much as US\$70 billion.

Fixed Income

Bond

The Bond market traded on a flat note last week with mixed reactions in different tenors. Sell offs was more pronounced on the APR 2037 bonds (+73bps) while demand was more pronounced on FEB 2020 Bonds (-23bps). The 2027 and 2028 bonds were the most traded bonds during the week with N20.81bn and N23.31bn value traded respectively. This can be attributed to the following a) increase in local demand on 2027 and 2028 bonds; b) increased investors' sentiment across Emerging Markets.

Secondary Market

Description	Maturity Date	Yield 17/08/2018	Yield 24/08/2018	%Change
16.00 29-JUN-2019	29-Jun-19	13.23	13.34	+0.11
7.00 23-OCT-2019	23-Oct-19	13.52	13.52	-0.01
15.54 13-FEB-2020	13-Feb-20	14.05	13.82	-0.23
14.50 15-JUL-2021	15-Jul-21	14.66	14.42	-0.25
16.39 27-JAN-2022	27-Jan-22	14.37	14.33	-0.04
12.75 27-APR-2023	27-Apr-23	14.52	14.47	-0.05
14.20 14-MAR-2024	14-Mar-24	14.63	14.58	-0.05
13.53 23-MAR-2025	23-Mar-25	14.74	14.70	-0.04
12.50 22-JAN-2026	22-Jan-26	14.83	14.80	-0.03
16.2884 17-MAR-2027	17-Mar-27	14.92	14.91	-0.01
13.98 23-FEB-2028	23-Feb-28	14.86	14.78	-0.08
15.00 28-NOV-2028	28-Nov-28	14.86	14.86	0.00
12.49 22-MAY-2029	22-May-29	14.86	14.86	+0.00
8.50 20-NOV-2029	20-Nov-29	14.87	14.87	+0.01
10.00 23-JUL-2030	23-Jul-30	14.87	14.88	+0.01
12.1493 18-JUL-2034	18-Jul-34	14.91	14.96	+0.05
12.40 18-MAR-2036	18-Mar-36	15.01	14.94	-0.07
16.2499 18-APR-2037	18-Apr-37	14.17	14.90	+0.73

Source: Anchororia AM Research, FMDQ OTC

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 5bps to close the week at 12.15%. Market activities was relatively quiet as value of transactions fell to N413.61bn from N972.99bn in the previous week due to the 2-days Salah holiday observed during the 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 N11.26bn and N86.64bn respectively. This represents a subscription rate of 24.48%.

The Central Bank of Nigeria is expected to conduct its T-Bills Primary Market Auction on Wednesday, 29 August 2018. The CBN is expected to rollover the same amount of T-bills maturing.

Secondary Market

DTM	Maturity Date	Yield 17/08/2018	Yield 24/08/2018	%Change
13	06-Sep-18	9.95	9.82	-0.13
20	13-Sep-18	11.25	12.21	+0.96
62	25-Oct-18	11.65	11.24	-0.41
69	01-Nov-18	12.47	12.14	-0.33
104	06-Dec-18	12.82	12.57	-0.25
111	13-Dec-18	12.71	12.42	-0.29
132	03-Jan-19	13.00	12.77	-0.23
139	10-Jan-19	12.90	12.84	-0.06
160	31-Jan-19	13.19	12.90	-0.29
167	07-Feb-19	13.10	12.97	-0.13
174	14-Feb-19	13.25	13.25	0.00
209	21-Mar-19	12.79	12.89	+0.10
223	04-Apr-19	13.23	13.43	+0.20
328	18-Jul-19	13.44	13.62	+0.18

Source: Anchororia AM Research, FMDQ OTC