

Fixed Income Market Monitor

Monday, 30 July - Friday, 03 August 2018

Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back rate (OBB) fell to 5.33% and 4.33% respectively. Consequently, the average money market rate decreased by 2.21% to settle at 4.83% as system liquidity increased to cN450bn due to inflow from FAAC payment of N375bn, OMO maturity of N379bn, T-Bills maturity of N215bn and refund of the last retail auction of N225bn despite outflows from OMO Sales of N363bn, FX Wholesale, Invisibles and SME of N90bn, T-bill auction of N215bn and CBN fortnight retail auction 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 Maturity this week we expect the rates to moderate.

Instrument	27/07/2018	03/08/2018	Change
OBB	6.83%	4.33%	-2.50%
OVN	7.25%	5.33%	-1.92%

Forex: USD/NGN

The CBN Official rate rose by 0.02% during the week to close at N305.95/\$ and the rate in the Investors and Exporters' FX Window rose by 0.11% to close at N362.67/\$. 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.

	27/07/2018	03/08/2018	Change
CBN Official Rate	305.90	305.95	+0.02%
I&E FX Window	362.28	362.67	+0.11%
Everdon Rate	360.00	360.00	+0.00%

Commodities

The Brent Crude oil and WTI crude oil fell by 1.45% and 0.29% to close at \$73.21 per barrel and \$68.49 per barrel respectively due to the increase in output of the Organization of the Petroleum Exporting Countries (OPEC) and Russia. OPEC and Russia reported an increase in their output by 300,000 and 150,000 barrels per day in July, respectively.

Other factors shaping the Oil market include the trade disputes between the United States and China which kept dragging down the oil prices and U.S. sanctions on Iranian crude oil exports.

Fixed Income

Bond

The Bond market traded on a slightly bullish note last week as demands were witnessed on some tenors, most especially 2020 and 2036 bonds. The average yield in the bond market fell by marginally by 3bps to close the week at 13.97%.

However, the bond market was relatively active last week as the total value of transactions rose to N176.8 billion from N118.7 billion respectively in the previous week.

Secondary Market

Description	Maturity Date	Yield 27/07/2018	Yield 03/08/2018	% Change
15.54 13-FEB-2020	13-Feb-20	13.73	13.31	-0.42
14.50 15-JUL-2021	15-Jul-21	13.69	13.68	-0.01
16.39 27-JAN-2022	27-Jan-22	13.55	13.77	+0.22
14.20 14-MAR-2024	14-Mar-24	13.76	13.74	-0.02
12.50 22-JAN-2026	22-Jan-26	14.11	14.14	+0.03
16.2884 17-MAR-2027	17-Mar-27	13.96	14.02	+0.06
13.98 23-FEB-2028	23-Feb-28	14.29	14.23	-0.06
10.00 23-JUL-2030	23-Jul-30	14.18	14.18	+0.00
12.1493 18-JUL-2034	18-Jul-34	14.25	14.22	-0.03
12.40 18-MAR-2036	18-Mar-36	14.32	14.22	-0.10
16.2499 18-APR-2037	18-Apr-37	14.22	14.18	-0.04

Treasury Bills

Due to a relatively buoyant system liquidity during the week, the treasury bills market traded on a bullish note. Consequently, the average yield fell by 10 bps to close the week at 11.80%. Market activities was relatively quiet as value of transactions fell to N686.44 billion from N956.28 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 N58.95bn and N304.00bn respectively.

Also, the Central Bank of Nigeria (CBN) conducted its T-Bills Primary Market Auction on Wednesday. T-Bills worth N215.63 billion was offered, while a total of N318.16 billion was subscribed for the 91 days, 182 days and 364 days, which represents 147.55% subscription rate. However, the CBN allotted a total of N215.63 billion for 91 days, 182 days and 364 days, which represent the same amount of T-Bills maturing.

Primary Market Auction - 01 August 2018

Tenor	(91-Day)	(182-Day)	(364-Day)
Offer Amount	9,541,924,000	69,565,347,000	136,522,566,000
Total Subscription	9,626,924,000	69,639,347,000	238,898,367,000
Allotment	9,541,924,000	69,565,347,000	136,522,566,000
Range of Bid Rates (%):	9.65 - 10.20	10.20 - 11.00	11.00 - 18.20
Stop Rates (%):	10.00	10.40	11.30

Secondary Market

DTM	Maturity Date	Yield 27/07/2018	Yield 03/08/2018	% Change
13	16-Aug-18	10.81	11.35	+0.54
55	27-Sep-18	10.64	10.37	-0.27
90	01-Nov-18	11.31	11.24	-0.07
125	06-Dec-18	12.62	12.58	-0.04
132	13-Dec-18	12.55	12.46	-0.09
153	03-Jan-19	12.89	12.55	-0.34
160	10-Jan-19	12.70	12.63	-0.07
181	31-Jan-19	12.41	12.43	+0.02
188	07-Feb-19	12.80	12.81	+0.01
195	14-Feb-19	12.88	12.93	+0.05
230	21-Mar-19	12.14	12.08	-0.06
244	04-Apr-19	13.42	13.27	-0.15
349	18-Jul-19	12.71	12.54	-0.17