



Fixed Income Market Monitor

Monday, 03 September - Friday, 07 September 2018

Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back (OBB) fell to 3.42% and 2.83% respectively. Consequently, the average money market rate decreased by 3.29% to settle at 3.13% due to buoyant system liquidity to close at cN538.68bn as a result of an inflow from FAAC payments of cN330bn and OMO T-bills maturities of cN294.52bn despite outflow from OMO sales of cN361bn and Wholesale, Invisibles and SME FX auction of \$210mn 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 with anticipated Retail FX fortnightly auction on Friday, we expect the rates to close higher.

Instrument	31/08/2018	07/09/2018	Change
OBB	6.00%	2.83%	-3.17%
OVN	6.83%	3.42%	-3.41%

Source: Anchororia AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate and the rate in the Investors and Exporters' FX Window rose by 0.02% and 0.04% to close at N306.20/\$ and N362.78/\$ respectively. Naira at the parallel market inched up by 0.14% to close at N360.50/\$ (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.

	31/08/2018	07/09/2018	Change
CBN Official Rate	306.15	306.20	+0.02%
I&E FX Window	362.64	362.78	+0.04%
Everdon Rate	360.00	360.50	+0.14%

Source: Anchororia AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI crude oil fell by 0.76% and 2.94% to close at \$76.83 per barrel and \$67.75 per barrel respectively, as US dollar strengthened against a basket of other currencies after a report showed U.S. job growth increased in August and that wages marked their largest annual increase in more than nine years.

The fall in Oil price last week was partially due to an increase in refined oil stocks coupled with relatively weak demand for fuel during this summer's U.S. driving season - when consumption normally peaks.

Fixed Income

Bond

The Bond market traded on a bearish note last week with sell offs on all the tenors. Sell offs was more pronounced on the shorter tenor bonds in reaction to increase OMO T-bills spot rate at the last auction (12.50% for 182 days OMO bills). The JUL 2034 and JAN 2026 bonds were the most traded bonds during the week with N70.17bn and N59.02bn value traded respectively. Average yield rose by 21bps to close the week at 15.06%. This can be attributed to the following: a) expected increase in FGN borrowing; b) weak investors' sentiment across Emerging Markets; c) gradual weakening of the Country's Currency; d) Increase in OMO Auction spot rate.

Secondary Market

Description	Maturity Date	Yield 31/08/2018	Yield 07/09/2018	%Change
16.00 29-JUN-2019	29-Jun-19	13.94	13.63	-0.31
7.00 23-OCT-2019	23-Oct-19	14.33	14.09	-0.24
15.54 13-FEB-2020	13-Feb-20	14.43	14.76	+0.33
14.50 15-JUL-2021	15-Jul-21	14.27	15.36	+1.09
16.39 27-JAN-2022	27-Jan-22	14.21	15.08	+0.87
12.75 27-APR-2023	27-Apr-23	14.65	15.08	+0.43
14.20 14-MAR-2024	14-Mar-24	14.96	15.08	+0.12
13.53 23-MAR-2025	23-Mar-25	15.08	15.18	+0.10
12.50 22-JAN-2026	22-Jan-26	15.18	15.26	+0.08
16.2884 17-MAR-2027	17-Mar-27	15.14	15.20	+0.06
13.98 23-FEB-2028	23-Feb-28	15.13	15.33	+0.20
15.00 28-NOV-2028	28-Nov-28	15.18	15.28	+0.10
12.49 22-MAY-2029	22-May-29	15.18	15.29	+0.11
8.50 20-NOV-2029	20-Nov-29	15.17	15.29	+0.12
10.00 23-JUL-2030	23-Jul-30	15.17	15.30	+0.13
12.1493 18-JUL-2034	18-Jul-34	15.17	15.33	+0.16
12.40 18-MAR-2036	18-Mar-36	15.02	15.28	+0.26
16.2499 18-APR-2037	18-Apr-37	15.07	15.26	+0.19

Source: Anchororia AM Research, FMDQ OTC

Treasury Bills

Despite a buoyant system liquidity during the week, the treasury bills market traded on a bearish note following the result of the OMO T-bills auction. Consequently, the average yield rose by 15bps to close the week at 12.36%. Market activities was relatively active as value of transactions rose to N1.54trillion from N955.84billion in the previous week.

OMO T-bill Auction result

Tenor	63-Day	126-Day	182-Day
Offer	100.00 bn	150.00 bn	300.00 bn
Subscription	34.30 bn	56.34 bn	100.09 bn
Allotment	34.30 bn	55.34 bn	100.09 bn
Rate (%)	10.00%	11.50%	12.50%

Secondary Market

DTM	Maturity Date	Yield 31/08/2018	Yield 07/09/2018	%Change
13	20-Sep-18	9.20	9.30	+0.10
20	27-Sep-18	9.83	6.49	-3.34
27	04-Oct-18	12.57	11.64	-0.93
34	11-Oct-18	11.22	12.34	+1.12
41	18-Oct-18	11.43	12.14	+0.71
48	25-Oct-18	11.36	12.60	+1.24
55	01-Nov-18	11.27	12.40	+1.13
90	06-Dec-18	13.48	12.54	-0.94
97	13-Dec-18	12.24	12.38	+0.14
118	03-Jan-19	12.78	12.83	+0.05
125	10-Jan-19	13.03	12.96	-0.07
146	31-Jan-19	13.04	13.17	+0.13
160	14-Feb-19	13.11	13.30	+0.19
195	21-Mar-19	13.20	13.13	-0.07
209	04-Apr-19	14.07	13.61	-0.46
314	18-Jul-19	14.64	13.89	-0.75

Source: Anchororia AM Research, FMDQ OTC