



Fixed Income Market Monitor

Monday, 10 September - Friday, 14 September 2018

Money Market

The money market rate increased last week as the Overnight rate (OVN) and Open Buy Back (OBB) rose to 12.00% and 10.67% respectively. Consequently, the average money market rate increased by 8.21% to settle at 11.14% due to reduction in system liquidity to close at cN300bn as a result of outflow from Retail FX funding of cN320bn, OMO sales of cN103.70bn (N81.95bn on Tuesday, N21.75bn on Monday, CBN declared No sales result on Thursday) and Wholesale, Invisibles and SME FX auction of \$210mn despite inflow from OMO maturity and Bond coupon payment 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. Barring significant inflow during the week, the rate is expected to close the week higher.

Instrument	07/09/2018	14/09/2018	Change
OBB	2.83%	10.67%	+7.84%
OVN	3.42%	12.00%	+8.58%

Source: Anchoria 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 0.11% to close at N306.25/\$ and N363.18/\$ 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.

	07/09/2018	14/09/2018	Change
CBN Official Rate	306.20	306.25	+0.02%
I&E FX Window	362.78	363.18	+0.11%
Everdon Rate	360.50	360.50	+0.00%

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI crude oil rose by 1.64% and 1.83% to close at \$78.09 per barrel and \$68.99 per barrel respectively due to continued worries over the sanctions on Iran, trade war between US and China and the Hurricane Florence.

Also, the U.S. imports of crude oil decreased by 123,000 barrels from the previous week's levels to 7.59 million barrels per day. While crude oil exports increased by 320,000 barrels per day from the previous week's levels to 1.83 million barrels per day.

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Bond

The Bond market traded on a bearish note last week with sell offs on most the tenors except for 2021 and 2028 bonds which witnessed increased buying interest from local participants, yield on 2028 bond fell by 16bps. The FEB 2028 and MAR 2036 bonds were the most traded bonds during the week with N45.72bn and N41.73bn value traded respectively. Average yield rose by 21bps to close the week at 15.27%. This can be attributed to the following a) expected increase in FGN borrowing; b) Anticipated Monetary of the CBN with a tightening stance ahead of MPC meeting between 24 and 25 September 2018; c) gradual weakening of the Country's Currency; d) Increase in 364 days T-bills spot rate.

Secondary Market

Description	Maturity Date	Yield 07/09/2018	Yield 14/09/2018	%Change
16.00 29-JUN-2019	29-Jun-19	13.63	14.63	+1.00
7.00 23-OCT-2019	23-Oct-19	14.09	15.00	+0.91
15.54 13-FEB-2020	13-Feb-20	14.76	15.21	+0.45
14.50 15-JUL-2021	15-Jul-21	15.36	15.33	-0.03
16.39 27-JAN-2022	27-Jan-22	15.08	15.30	+0.22
12.75 27-APR-2023	27-Apr-23	15.08	15.19	+0.11
14.20 14-MAR-2024	14-Mar-24	15.08	15.11	+0.03
13.53 23-MAR-2025	23-Mar-25	15.18	15.23	+0.05
12.50 22-JAN-2026	22-Jan-26	15.26	15.33	+0.07
16.2884 17-MAR-2027	17-Mar-27	15.20	15.21	+0.01
13.98 23-FEB-2028	23-Feb-28	15.33	15.17	-0.16
15.00 28-NOV-2028	28-Nov-28	15.28	15.39	+0.11
12.49 22-MAY-2029	22-May-29	15.29	15.40	+0.11
8.50 20-NOV-2029	20-Nov-29	15.29	15.41	+0.12
10.00 23-JUL-2030	23-Jul-30	15.30	15.43	+0.13
12.1493 18-JUL-2034	18-Jul-34	15.33	15.52	+0.19
12.40 18-MAR-2036	18-Mar-36	15.28	15.48	+0.20
16.2499 18-APR-2037	18-Apr-37	15.26	15.49	+0.23

Source: Anchoria AM Research, FMDQ OTC

Treasury Bills

Due to reduced system liquidity during the week, the treasury bills market traded on a bearish note following the hike in 364 days T-bills at the Primary market auction. Consequently, the average yield rose significantly by 208bps to close the week at 14.43%. Market activities was relatively quiet as value of transactions fell to N1.44trillion from N1.54trillion in the previous week.

T-bill Auction result

Tenor	91-Day	182-Day	364-Day
Offer Amount	6,217,066,000	4,002,523,000	126,085,442,000
Total Subscription	3,382,186,000	7,648,976,000	202,336,377,000
Allotment	2,650,808,000	4,002,523,000	129,651,700,000
Range of Bid Rates (%):	11.00 – 14.00	12.00 – 13.20	11.00 – 20.00
Stop Rates (%):	11.00	12.30	13.50

Secondary Market

DTM	Maturity Date	Yield 07/09/2018	Yield 14/09/2018	%Change
13	27-Sep-18	6.49	14.11	+7.62
41	25-Oct-18	12.60	14.17	+1.57
76	29-Nov-18	11.76	14.15	+2.39
104	27-Dec-18	12.78	14.33	+1.55
111	03-Jan-19	12.83	14.84	+2.01
132	24-Jan-19	13.08	14.40	+1.32
139	31-Jan-19	13.17	14.34	+1.17
146	07-Feb-19	13.15	14.39	+1.24
153	14-Feb-19	13.30	14.76	+1.46
181	14-Mar-19	13.31	14.18	+0.87
188	21-Mar-19	13.13	13.92	+0.79
202	04-Apr-19	13.61	14.84	+1.23
307	18-Jul-19	13.89	15.69	+1.80

Source: Anchoria AM Research, FMDQ OTC