



Fixed Income Market Monitor

Monday, 27 August - Friday, 31 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 6.83% and 6.00% respectively. Consequently, the average money market rate decreased by 0.92% to settle at 6.42% due to increase in the system liquidity to close at cN780bn due to an inflow from OMO T-bills maturities of cN315bn and CBN retail refund of cN360bn despite an outflow from Wholesale, Invisible & SME FX auction of \$210mn, Retail Auction of cN350bn and CRR of cN2.9bn during the week.

Despite another round of FX sales in the Wholesale, Invisibles and SME Market on Monday, we expect rates to decline further on Monday due to expected inflow from FAAC this week. Barring several OMO auctions during the week, we expect the rate to close lower for the week.

Instrument	24/08/2018	31/08/2018	Change
OBB	6.75%	6.00%	-0.75%
OVN	7.92%	6.83%	-1.09%

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 0.08% to close at N306.15/\$ and N362.35/\$ respectively. 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.

	24/08/2018	31/08/2018	Change
CBN Official Rate	306.10	306.15	+0.02%
I&E FX Window	362.35	362.64	+0.08%
Everdon Rate	360.00	360.00	+0.00%

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI crude oil rose by 2.11% and 1.57% to close at \$77.42 per barrel and \$69.80 per barrel respectively due to anticipation of the impact of the U.S. sanctions on Iran.

The exports of crude oil from Iran have already been declining and the market reflect concerned regarding potential supply deficit starting from November when the U.S. sanctions targeting Iran come into effect.

U.S. Imports of oil maintained the same level in the week ending Aug. 24 compared with the reported level of previous week. Meanwhile, U.S. net imports of oil decreased by 657,000 barrels per day during the week.

Fixed Income

Bond

The Bond market traded on a bearish note last week with sell offs in most of the tenors. Sell offs was more pronounced on the JAN 2026 bonds (+38bps). The 2027 and 2036 bonds were the most traded bonds during the week with N95.37bn and N105.80bn value traded respectively. Average yield rose by 30bps to close the week at 14.85%. This can be attributed to the following a) expected increase in FGN borrowing; b) weak investors' sentiment across Emerging Markets.

Secondary Market

Description	Maturity Date	Yield 24/08/2018	Yield 31/08/2018	%Change
16.00 29-JUN-2019	29-Jun-19	13.34	13.94	+0.60
7.00 23-OCT-2019	23-Oct-19	13.52	14.33	+0.81
15.54 13-FEB-2020	13-Feb-20	13.82	14.43	+0.61
14.50 15-JUL-2021	15-Jul-21	14.42	14.27	-0.15
16.39 27-JAN-2022	27-Jan-22	14.33	14.21	-0.12
12.75 27-APR-2023	27-Apr-23	14.47	14.65	+0.18
14.20 14-MAR-2024	14-Mar-24	14.58	14.96	+0.38
13.53 23-MAR-2025	23-Mar-25	14.70	15.08	+0.38
12.50 22-JAN-2026	22-Jan-26	14.80	15.18	+0.38
16.2884 17-MAR-2027	17-Mar-27	14.91	15.14	+0.23
13.98 23-FEB-2028	23-Feb-28	14.78	15.13	+0.35
15.00 28-NOV-2028	28-Nov-28	14.86	15.18	+0.32
12.49 22-MAY-2029	22-May-29	14.86	15.18	+0.32
8.50 20-NOV-2029	20-Nov-29	14.87	15.17	+0.30
10.00 23-JUL-2030	23-Jul-30	14.88	15.17	+0.29
12.1493 18-JUL-2034	18-Jul-34	14.96	15.17	+0.21
12.40 18-MAR-2036	18-Mar-36	14.94	15.02	+0.08
16.2499 18-APR-2037	18-Apr-37	14.90	15.07	+0.17

Source: Anchoria 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 primary market auction. Consequently, the average yield rose by 5bps to close the week at 12.20%. Market activities was relatively active as value of transactions rose to N955.84bn from N413.61bn in the previous week.

During the week, T-bills Primary Market Auction spot rate witnessed an increase with 100.29% subscription rate.

91 days: Rose from 10.00% to 11.00%

182 days: Rose from 10.40% to 12.30%

364 days: Rose from 11.22% to 13.05%

Primary Market Auction – 29 August 2018

Tenor	91-Day	182-Day	364-Day
Offer Amount	24,960,588,000	44,993,786,000	137,000,000,000
Total Subscription	22,727,507,000	38,751,846,000	146,071,766,000
Allotment	22,727,507,000	38,751,846,000	145,475,021,000
Range of Bid Rates (%):	9.90 – 11.00	10.00 – 12.30	10.75 – 18.40
Stop Rates (%):	11.00	12.30	13.05

Source: Anchoria AM Research, CBN

Also, the CBN declared a no sale OMO results during the week as most participants bid at a high rate.

Secondary Market

DTM	Maturity Date	Yield 24/08/2018	Yield 31/08/2018	%Change
13	13-Sep-18	12.21	9.69	-2.52
55	25-Oct-18	11.24	11.36	+0.12
62	01-Nov-18	12.14	11.27	-0.87
97	06-Dec-18	12.57	13.48	+0.91
104	13-Dec-18	12.42	12.24	-0.18
125	03-Jan-19	12.77	12.78	+0.01
132	10-Jan-19	12.84	13.03	+0.19
153	31-Jan-19	12.90	13.04	+0.14
167	14-Feb-19	13.25	13.11	-0.14
202	21-Mar-19	12.89	13.20	+0.31
216	04-Apr-19	13.43	14.07	+0.64
321	18-Jul-19	13.62	14.64	+1.02

Source: Anchoria AM Research, FMDQ OTC