



Fixed Income Market Monitor

Monday, 08 October - Friday, 12 October 2018

Money Market

The money market rate decreased marginally last week as the Overnight rate (OVN) and Open Buy Back (OBB) fell to 19.75% and 19.17% respectively. Consequently, the average money market rate fell by 2.22% to settle at 19.46% due relatively buoyant system liquidity until Thursday and Friday mop up to close at cN50bn. Inflow for the week included: Reversal of Paris Club Fund to the States and OMO Maturities of cN277bn while Outflow included: OMO sales of cN249bn, Wholesale, Invisible and SME FX auction of \$210mn and retail FX funding of cN350bn.

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	05/10/2018	12/10/2018	Change
OBB	20.86%	19.17%	-1.69%
OVN	22.50%	19.75%	-2.75%

Source: Anchoria AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.45/\$, a 0.02% increment. Also, the rate in the Investors and Exporters' FX Window and Parallel Market rose by 0.08% and 0.28% to close at N364.12/\$ and N362.00/\$.

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.

	05/10/2018	12/10/2018	Change
CBN Official Rate	306.40	306.45	+0.02%
I&E FX Window	363.82	364.12	+0.08%
Everdon Rate	361.00	362.00	+0.28%

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI Crude oil fell by 4.43% and 4.04% to close at \$80.43 per barrel and \$71.34 per barrel respectively. This is as a result of increase in US Crude stockpiles by 6 million barrels and 1 million barrels rise in gasoline inventories.

Also, the fall in price can be attributable to the report that OPEC members are offsetting production declines in Iran and Venezuela, hence helping to mitigate against supply shortages concerns.

Fixed Income

Bond

The Bond market traded on a bearish note last week with yields rising across most maturities traded and selloffs well pronounced on FEB 2020 and FEB 2028 bonds. This is due to decreased buying interest from local participants expecting a yield hike before the end of the year. The FEB 2028 bond was the most traded bond during the week with N24.86bn value traded respectively. Average yield rose by 8bps to close the week at 14.87%.

During the week, we expect the bearish sentiments to continue due to:

- (a) Anticipated increase in the headline inflation rate;
- (b) Anticipated increased stop rate at October Bond auction;
- (c) Treasury Bills Primary Market Auction.

Secondary Market

Description	Maturity Date	Yield		%Change
		05/10/2018	12/10/2018	
16.00 29-JUN-2019	29-Jun-19	13.80	13.89	+0.09
7.00 23-OCT-2019	23-Oct-19	14.25	14.56	+0.31
15.54 13-FEB-2020	13-Feb-20	13.75	14.06	+0.31
14.50 15-JUL-2021	15-Jul-21	14.86	14.73	-0.13
16.39 27-JAN-2022	27-Jan-22	14.47	14.41	-0.06
12.75 27-APR-2023	27-Apr-23	14.82	14.78	-0.04
14.20 14-MAR-2024	14-Mar-24	15.07	15.05	-0.02
13.53 23-MAR-2025	23-Mar-25	14.92	14.96	+0.04
12.50 22-JAN-2026	22-Jan-26	14.80	14.88	+0.08
16.2884 17-MAR-2027	17-Mar-27	15.08	15.12	+0.04
13.98 23-FEB-2028	23-Feb-28	15.10	15.25	+0.15
15.00 28-NOV-2028	28-Nov-28	14.91	15.01	+0.10
12.49 22-MAY-2029	22-May-29	14.93	15.03	+0.10
8.50 20-NOV-2029	20-Nov-29	14.95	15.05	+0.10
10.00 23-JUL-2030	23-Jul-30	14.98	15.08	+0.10
12.1493 18-JUL-2034	18-Jul-34	15.14	15.26	+0.12
12.40 18-MAR-2036	18-Mar-36	15.17	15.29	+0.12
16.2499 18-APR-2037	18-Apr-37	15.07	15.16	+0.09

Source: Anchoria AM Research, FMDQ OTC

Treasury Bills

Due to relatively buoyant system liquidity in the early part of the week, although later constrained by OMO and FX auction during the week, the treasury bills market traded on a slightly bullish note. Consequently, the average yield fell marginally by 1bps to close the week at 13.25%. Market activities were relatively quiet as the value of transactions fell to N650.58 billion from N1.02trillion in the previous week.

The Federal Government through the Central Bank of Nigeria (CBN) is expected to roll over the same amount of bills maturing at the next auction which is set to hold on Wednesday, 17 October, 2018.

Secondary Market

DTM	Maturity Date	Yield		%Change
		05/10/2018	12/10/2018	
13	25-Oct-18	13.06	12.58	-0.48
48	29-Nov-18	13.18	13.10	-0.08
76	27-Dec-18	12.79	12.62	-0.17
83	03-Jan-19	12.70	12.80	+0.10
104	24-Jan-19	12.88	12.81	-0.07
111	31-Jan-19	13.04	12.79	-0.25
118	07-Feb-19	13.16	12.86	-0.30
125	14-Feb-19	13.20	13.36	+0.16
153	14-Mar-19	13.19	13.59	+0.40
160	21-Mar-19	13.27	13.00	-0.27
174	04-Apr-19	13.36	13.27	-0.09
279	18-Jul-19	14.52	14.81	+0.29
293	01-Aug-19	14.44	14.76	+0.32
335	12-Sep-19	15.03	15.40	+0.37
342	19-Sep-19	14.83	15.17	+0.34

Source: Anchoria AM Research, FMDQ OTC