



# Fixed Income Market Monitor

Monday, 15 October - Friday, 19 October 2018

## Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back (OBB) fell to 13.33% and 12.67% respectively. Consequently, the average money market rate fell by 6.46% to settle at 13.00% due to increased system liquidity to close at cN109bn. Inflow for the week included: Bond Coupon Payment of cN104bn, OMO bills maturity of cN347.12bn while Outflow included: OMO sales of cN275bn, and Wholesale, Invisible and SME FX auction of \$210mn.

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 | 12/10/2018 | 19/10/2018 | Change |
|------------|------------|------------|--------|
| OBB        | 19.17%     | 12.67%     | -6.50% |
| OVN        | 19.75%     | 13.33%     | -6.42% |

## Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.50/\$, a 0.02% increment while the rate in the Investors and Exporters' FX Window fell by 0.03%. Naira at the parallel market remained unchanged to close at N362.00/\$ (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.

|                   | 12/10/2018 | 19/10/2018 | Change |
|-------------------|------------|------------|--------|
| CBN Official Rate | 306.45     | 306.50     | +0.02% |
| I&E FX Window     | 364.12     | 364.02     | -0.03% |
| Everdon Rate      | 362.00     | 362.00     | +0.00% |

Source: Anchororia AM Research, FMDQ OTC

## Commodities

The Brent Crude oil and WTI Crude oil fell by 0.47% and 2.80% to close at \$80.05 per barrel and \$69.34 per barrel respectively as U.S. crude oil inventories rose by 6.5 million barrels for the fourth straight week, due to significant increase in inventories at the Cushing hub, Oklahoma, the United States.

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 JAN 2022 and JUL 2021 bonds. This is due to increase in T-bills spot rate at the last Auction and as market participants remained quiet ahead of the Bond auction this week. Average yield rose by 15bps to close the week at 15.02%.

During the week, we expect the bearish sentiments to continue as the Debt Management Office (DMO) is set to hold its October Auction on Wednesday, 24 October 2018. The DMO is expected to offer N115bn (N35billion for 5 Year Re-opening, N35 billion for 7 Year Re-opening, N45 billion in 10 Year Re-opening).

### Secondary Market

| Description         | Maturity Date | Yield 12/10/2018 | Yield 19/10/2018 | %Change |
|---------------------|---------------|------------------|------------------|---------|
| 16.00 29-JUN-2019   | 29-Jun-19     | 13.89            | 14.28            | +0.39   |
| 7.00 23-OCT-2019    | 23-Oct-19     | 14.56            | 15.06            | +0.50   |
| 15.54 13-FEB-2020   | 13-Feb-20     | 14.06            | 14.20            | +0.14   |
| 14.50 15-JUL-2021   | 15-Jul-21     | 14.73            | 15.16            | +0.43   |
| 16.39 27-JAN-2022   | 27-Jan-22     | 14.41            | 14.71            | +0.30   |
| 12.75 27-APR-2023   | 27-Apr-23     | 14.78            | 14.96            | +0.18   |
| 14.20 14-MAR-2024   | 14-Mar-24     | 15.05            | 15.13            | +0.08   |
| 13.53 23-MAR-2025   | 23-Mar-25     | 14.96            | 15.03            | +0.07   |
| 12.50 22-JAN-2026   | 22-Jan-26     | 14.88            | 14.96            | +0.08   |
| 16.2884 17-MAR-2027 | 17-Mar-27     | 15.12            | 15.12            | +0.00   |
| 13.98 23-FEB-2028   | 23-Feb-28     | 15.25            | 15.29            | +0.04   |
| 15.00 28-NOV-2028   | 28-Nov-28     | 15.01            | 15.10            | +0.09   |
| 12.49 22-MAY-2029   | 22-May-29     | 15.03            | 15.13            | +0.10   |
| 8.50 20-NOV-2029    | 20-Nov-29     | 15.05            | 15.15            | +0.10   |
| 10.00 23-JUL-2030   | 23-Jul-30     | 15.08            | 15.19            | +0.11   |
| 12.1493 18-JUL-2034 | 18-Jul-34     | 15.26            | 15.39            | +0.13   |
| 12.40 18-MAR-2036   | 18-Mar-36     | 15.29            | 15.30            | +0.01   |
| 16.2499 18-APR-2037 | 18-Apr-37     | 15.16            | 15.14            | -0.02   |

Source: Anchororia AM Research, FMDQ OTC

### Treasury Bills

Due to relatively low system liquidity during the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose by 28bps to close the week at 13.53%. Market activities were relatively active as the value of transactions rose to N1.23 trillion from N650.58 billion in the previous week.

### Primary Market Auction

| Tenor                   | 91-Day        | 182-Day        | 364-Day         |
|-------------------------|---------------|----------------|-----------------|
| Offer Amount            | 5,849,034,000 | 29,245,168,000 | 112,535,643,000 |
| Total Subscription      | 5,924,034,000 | 30,492,519,000 | 167,589,949,000 |
| Allotment               | 5,849,034,000 | 29,245,168,000 | 112,535,643,000 |
| Range of Bid Rates (%): | 10.70 – 12.28 | 11.50 – 12.89  | 12.50 – 18.00   |
| Stop Rates (%):         | 10.96         | 12.69          | 13.45           |

### Secondary Market

| DTM | Maturity Date | Yield 12/10/2018 | Yield 19/10/2018 | %Change |
|-----|---------------|------------------|------------------|---------|
| 20  | 08-Nov-18     | 13.03            | 12.96            | -0.07   |
| 48  | 06-Dec-18     | 13.04            | 13.36            | +0.32   |
| 76  | 03-Jan-19     | 12.80            | 13.45            | +0.65   |
| 83  | 10-Jan-19     | 12.66            | 12.96            | +0.30   |
| 111 | 07-Feb-19     | 12.86            | 13.11            | +0.25   |
| 118 | 14-Feb-19     | 13.36            | 12.79            | -0.57   |
| 132 | 28-Feb-19     | 12.87            | 13.26            | +0.39   |
| 139 | 07-Mar-19     | 12.98            | 13.32            | +0.34   |
| 146 | 14-Mar-19     | 13.59            | 13.54            | -0.05   |
| 167 | 04-Apr-19     | 13.27            | 13.60            | +0.33   |
| 272 | 18-Jul-19     | 14.81            | 14.19            | -0.62   |
| 286 | 01-Aug-19     | 14.76            | 14.91            | +0.15   |
| 328 | 12-Sep-19     | 15.40            | 15.75            | +0.35   |
| 335 | 19-Sep-19     | 15.17            | 15.44            | +0.27   |

Source: Anchororia AM Research, FMDQ OTC