



Fixed Income Market Monitor

Monday, 22 October - Friday, 26 October 2018

Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back (OBB) fell to 11.42% and 10.33% respectively. Consequently, the average money market rate fell by 2.13% to settle at 10.88% due to increased system liquidity to close at cN257bn. Inflow for the week included: OMO bills maturity of cN372.85bn, CBN Retail Refund of cN180bn and Paris Club refund of cN155bn while Outflow included: OMO sales of cN186.02bn, Bond Sales of cN88bn, bi-weekly Retail FX auction of cN350bn and Wholesale, Invisible and SME FX auction of \$210mn.

With the expected inflow from FAAC allocation this week we expect to rate to trend lower.

Instrument	19/10/2018	26/10/2018	Change
OBB	12.67%	10.33%	-2.34%
OVN	13.33%	11.42%	-1.91%

Source: Anchoria AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.55/\$, a 0.02% increment while the rate in the Investors and Exporters' FX Window fell by 0.05%. 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.

	19/10/2018	26/10/2018	Change
CBN Official Rate	306.50	306.55	+0.02%
I&E FX Window	364.02	363.84	-0.05%
Everdon Rate	362.00	362.00	+0.00%

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI Crude oil fell by 3.04% and 2.52% to close at \$77.62 per barrel and \$67.59 per barrel respectively. This represents third weeks of consecutive fall in the prices of the Crude Oil futures.

Factors contributing to the bearish sentiment in crude oil prices include:

- 1) a 1-rig increase for Oil & gas in the United States,
- 2) Canada's oil and gas rigs for the week increased by 9 rigs after losing 4 rigs last week, bringing its total oil and gas rig count to 200, and
- 3) Saudi Arabia and Russia pledged to offset any shortfall from Iran supply.

Fixed Income

Bond

The Bond market continued on its bearish trend last week with yields rising across most maturities traded and selloffs pronounced on short and mid tenor bonds. This is due to increase in the spot rate at the OMO auction held during the week. Average yield rose by 10bps to close the week at 15.12%.

During the week, the spot rates on the 2023 and 2025 bonds closed at 15.00% and 15.15% respectively, while the spot rate on the 2028 bond ticked higher by c.7bps to 15.32% from its level of 15.249% at the previous auction.

October Bond Auction Result

	12.75% FGN APR 2023	13.53% FGN MAR 2025	13.98% FGN FEB 2028
Offer Amount	35 billion	35 billion	45 billion
Total Subscription	16.50 billion	24.90 billion	102.08 billion
Allotment	12.65 billion	20.14 billion	55.29 billion
Range of Bid Rates (%):	14.80 - 16.00	14.80 - 16.00	12.98 - 16.15
Stop Rates (%):	15.00	15.15	15.32

Secondary Market

Description	Maturity Date	Yield 19/10/2018	Yield 26/10/2018	%Change
16.00 29-JUN-2019	29-Jun-19	14.28	14.38	+0.10
7.00 23-OCT-2019	23-Oct-19	15.06	15.58	+0.52
15.54 13-FEB-2020	13-Feb-20	14.20	14.56	+0.36
14.50 15-JUL-2021	15-Jul-21	15.16	15.22	+0.06
16.39 27-JAN-2022	27-Jan-22	14.71	14.71	0.00
12.75 27-APR-2023	27-Apr-23	14.96	14.95	-0.01
14.20 14-MAR-2024	14-Mar-24	15.13	15.13	+0.00
13.53 23-MAR-2025	23-Mar-25	15.03	15.15	+0.12
12.50 22-JAN-2026	22-Jan-26	14.96	15.17	+0.21
16.2884 17-MAR-2027	17-Mar-27	15.12	15.24	+0.12
13.98 23-FEB-2028	23-Feb-28	15.29	15.36	+0.07
15.00 28-NOV-2028	28-Nov-28	15.10	15.21	+0.11
12.49 22-MAY-2029	22-May-29	15.13	15.22	+0.09
8.50 20-NOV-2029	20-Nov-29	15.15	15.23	+0.08
10.00 23-JUL-2030	23-Jul-30	15.19	15.23	+0.04
12.1493 18-JUL-2034	18-Jul-34	15.39	15.29	-0.10
12.40 18-MAR-2036	18-Mar-36	15.30	15.29	-0.01
16.2499 18-APR-2037	18-Apr-37	15.14	15.17	+0.03

Source: Anchoria AM Research, FMDQ OTC

Treasury Bills

Despite a relatively high system liquidity during the week, the treasury bills market traded on a bearish note as market participants reacted to the OMO auction result. Consequently, the average yield rose by 20bps to close the week at 13.73%. Market activities were relatively quiet as the value of transactions rose to N1.02 trillion from N1.23 billion in the previous week.

The CBN is expected to hold its Treasury Bills Primary Market Auction on Wednesday, 31 October 2018.

Secondary Market

DTM	Maturity Date	Yield 19/10/2018	Yield 26/10/2018	%Change
13	08-Nov-18	12.96	12.69	-0.27
41	06-Dec-18	13.36	13.43	+0.07
69	03-Jan-19	13.45	13.25	-0.20
76	10-Jan-19	12.96	13.02	+0.06
111	14-Feb-19	12.79	13.75	+0.96
125	28-Feb-19	13.26	13.40	+0.14
132	07-Mar-19	13.32	13.44	+0.12
139	14-Mar-19	13.54	13.61	+0.07
160	04-Apr-19	13.60	13.37	-0.23
265	18-Jul-19	14.19	14.81	+0.62
279	01-Aug-19	14.91	15.62	+0.71
321	12-Sep-19	15.75	16.17	+0.42
342	03-Oct-19	15.73	16.38	+0.65