



Fixed Income Market Monitor

Monday, 24 September - Friday, 28 September 2018

Money Market

The money market rate increased last week as the Overnight rate (OVN) and Open Buy Back (OBB) rose to 7.17% and 6.00% respectively. Consequently, the average money market rate rose by 2.21% to settle at 6.59% despite an increase in system liquidity to close at cN580bn as a result of inflow of cN260bn from OMO T-bill maturities, FAAC fund of cN300bn and CBN retail FX refund of cN204bn in spite of an outflow in respect of reversal of Paris Club payments made to states by the FG, Bond Sales of cN96.74bn and Wholesale, Invisibles 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 and anticipated OMO during the week, the rate is expected to close the week higher.

Instrument	21/09/2018	28/09/2018	Change
OBB	4.00%	6.00%	+2.00%
OVN	4.75%	7.17%	+2.42%

Source: Anchoria AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate and the rate in the Investors and Exporters' FX Window continued on its upward trend to close at N306.35/\$ and N363.92/\$ with 0.02% and 0.07% increase respectively. Naira at the parallel market remained unchanged to close at N361.00/\$ (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.

	21/09/2018	28/09/2018	Change
CBN Official Rate	306.30	306.35	+0.02%
I&E FX Window	363.68	363.92	+0.07%
Everdon Rate	361.00	361.00	+0.00%

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI crude oil rose by 4.97% and 3.49% to close at \$82.72 per barrel and \$73.25 per barrel respectively following the decision of OPEC not to increase their oil production and as US reiterated its sanctions on Iran during the UN meeting.

Also, US Energy Secretary ruled out tapping the Strategic Petroleum Reserve, compounding concerns that sanctions on Iran will tighten the markets.

Fixed Income

Bond

The Bond market traded on a bullish note last week with yields falling across all maturities traded. This is against the backdrop of increased buying interest from local participants (Pension Fund Administrators and Asset Managers). The FEB 2028 and JUL 2034 bonds were the most traded bonds during the week with N49.82bn and N40.45bn value traded respectively. Average yield fell by 15bps to close the week at 14.91%.

During the week, the following activities shaped investors' sentiments: a) increased in spot rate at the Bond Auction b) Increase in Federal Reserve rate c) Maintain status quo for the Monetary Policy Rate (MPR).

September Bond Auction Result

Tenor	12.75% FGN APR 2023	13.53% FGN MAR 2025	13.98% FGN FEB 2028
Offer Amount	25 billion	25 billion	40 billion
Total Subscription	20.68 billion	12.48 billion	125.35 billion
Allotment	17.48 billion	7.38 billion	71.88 billion
Range of Bid Rates (%)	14.74 - 16.10	14.60 - 16.00	12.98 - 16.50
Marginal Rates (%)	15.00	15.15	15.25

Secondary Market

Description	Maturity Date	Yield 21/09/2018	Yield 28/09/2018	%Change
16.00 29-JUN-2019	29-Jun-19	14.04	14.09	+0.05
7.00 23-OCT-2019	23-Oct-19	14.63	14.80	+0.17
15.54 13-FEB-2020	13-Feb-20	14.27	14.08	-0.19
14.50 15-JUL-2021	15-Jul-21	15.03	14.94	-0.09
16.39 27-JAN-2022	27-Jan-22	14.69	14.64	-0.05
12.75 27-APR-2023	27-Apr-23	14.95	14.83	-0.12
14.20 14-MAR-2024	14-Mar-24	15.13	14.96	-0.17
13.53 23-MAR-2025	23-Mar-25	15.16	14.97	-0.19
12.50 22-JAN-2026	22-Jan-26	15.19	14.98	-0.21
16.2884 17-MAR-2027	17-Mar-27	15.13	15.07	-0.06
13.98 23-FEB-2028	23-Feb-28	15.24	15.13	-0.11
15.00 28-NOV-2028	28-Nov-28	15.29	15.07	-0.22
12.49 22-MAY-2029	22-May-29	15.31	15.09	-0.22
8.50 20-NOV-2029	20-Nov-29	15.33	15.10	-0.23
10.00 23-JUL-2030	23-Jul-30	15.35	15.12	-0.23
12.1493 18-JUL-2034	18-Jul-34	15.49	15.24	-0.25
12.40 18-MAR-2036	18-Mar-36	15.38	15.13	-0.25
16.2499 18-APR-2037	18-Apr-37	15.40	15.15	-0.25

Source: Anchoria AM Research, FMDQ OTC

Treasury Bills

Due to decreased system liquidity at the earlier part of the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose significantly by 42bps to close the week at 13.19%. Market activities were relatively quiet as value of transactions rose to N1.08trillion from N1.51trillion in the previous week.

Secondary Market

DTM	Maturity Date	Yield 21/09/2018	Yield 28/09/2018	%Change
13	11-Oct-18	8.38	10.27	+1.89
20	18-Oct-18	10.83	12.42	+1.59
27	25-Oct-18	10.95	12.32	+1.37
62	29-Nov-18	11.91	12.84	+0.93
90	27-Dec-18	12.77	12.74	-0.03
97	03-Jan-19	13.16	12.54	-0.62
118	24-Jan-19	13.06	12.83	-0.23
125	31-Jan-19	12.98	12.90	-0.08
132	07-Feb-19	13.20	12.87	-0.33
139	14-Feb-19	13.66	13.85	+0.19
167	14-Mar-19	13.55	13.82	+0.27
174	21-Mar-19	13.25	13.17	-0.08
188	04-Apr-19	13.84	14.05	+0.21
293	18-Jul-19	15.07	14.99	-0.08
307	01-Aug-19	15.24	15.14	-0.10

Source: Anchoria AM Research, FMDQ OTC