



# Fixed Income Market Monitor

Monday, 05 November - Friday, 09 November 2018

## Money Market

The money market rate increased marginally last week as the Overnight rate (OVN) and Open Buy Back (OBB) rose to 5.00% and 4.25% respectively. Consequently, the average money market rate rose by 0.20% to settle at 4.63% due to decreased system liquidity to close at cN600bn. Inflow for the week included: OMO bills maturity of cN375.98bn Outflow included: two (2) OMO sales of cN681.21bn, bi-weekly FX retail auction 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, we expect the money market rates to moderate at its current level.

Instrument	02/11/2018	09/11/2018	Change
OBB	4.03%	4.25%	+0.22%
OVN	4.83%	5.00%	+0.17%

Source: Anchororia AM Research, FMDQ OTC

## Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.65/\$, a 0.02% increment while the rate in the Investors and Exporters' FX Window fell by 0.04%. Naira at the parallel market remained unchanged to close at N362.00/\$ (using the Everdon BDC Rate).

In spite of constant intervention by the apex bank via its frequent Wholesale and Retail SMIS programme, we have seen a gradual and continual rise in the CBN official rate.

	02/11/2018	09/11/2018	Change
CBN Official Rate	306.60	306.65	+0.02%
I&E FX Window	363.74	363.60	-0.04%
Everdon Rate	362.50	362.50	+0.00%

Source: Anchororia AM Research, FMDQ OTC

## Commodities

The Brent Crude oil and WTI Crude oil fell by 3.11% and 3.96% to close at \$70.18 per barrel and \$60.19 per barrel respectively. This represents five weeks of a consecutive fall in the prices of the Crude Oil futures.

The Organization of Petroleum Exporting Countries and its allies may consider the possibility of reducing production again next year as they meet at Abu Dhabi on Sunday, 11 November 2018. Meanwhile, US government data showed nationwide stockpiles rose by 5.78 million barrels last week, beyond expectations for a two million-barrel gain.

## Fixed Income

### Bond

The Bond market continued its bearish trend last week with yields rising across most maturities traded except for the 2036 bond that witnessed 5bps dip in yield. Average yield rose by 9bps to close the week at 15.44%. Some factors responsible for the continual bearish trend in the bond market include:

- Uncertainty about the direction of yield
- Expectation of hike in inflation rate
- Anticipated FGN Eurobond auction this month
- Reduced interest of local institutional investors (Asset Managers and Pension Fund Managers)

We expect the bearish trend to continue in the new week as market participants maintains a cautious outlook on bond yield.

### Secondary Market

Description	Maturity Date	Yield 02/11/2018	Yield 09/11/2018	%Change
16.00 29-JUN-2019	29-Jun-19	14.16	14.37	+0.21
7.00 23-OCT-2019	23-Oct-19	15.65	15.76	+0.11
15.54 13-FEB-2020	13-Feb-20	14.62	14.72	+0.10
14.50 15-JUL-2021	15-Jul-21	15.23	15.33	+0.10
16.39 27-JAN-2022	27-Jan-22	14.94	15.01	+0.07
12.75 27-APR-2023	27-Apr-23	15.15	15.21	+0.06
14.20 14-MAR-2024	14-Mar-24	15.30	15.35	+0.05
13.53 23-MAR-2025	23-Mar-25	15.43	15.49	+0.06
12.50 22-JAN-2026	22-Jan-26	15.53	15.61	+0.08
16.2884 17-MAR-2027	17-Mar-27	15.49	15.62	+0.13
13.98 23-FEB-2028	23-Feb-28	15.64	15.79	+0.15
15.00 28-NOV-2028	28-Nov-28	15.58	15.69	+0.11
12.49 22-MAY-2029	22-May-29	15.59	15.70	+0.11
8.50 20-NOV-2029	20-Nov-29	15.60	15.71	+0.11
10.00 23-JUL-2030	23-Jul-30	15.62	15.73	+0.11
12.1493 18-JUL-2034	18-Jul-34	15.70	15.84	+0.14
12.40 18-MAR-2036	18-Mar-36	15.67	15.62	-0.05
16.2499 18-APR-2037	18-Apr-37	15.33	15.42	+0.09

Source: Anchororia AM Research, FMDQ OTC

### Treasury Bills

Due to a buoyant system liquidity at the earlier part of the week, the treasury bills market started on a bullish note. However, with multiple OMO sales during the week, participants became cautious leaving the market to close in the bearish zone. Consequently, the average yield rose by 15bps to close the week at 13.67%. Market activities were relatively quiet as the value of transactions fell to N1.12 trillion from N6.00 trillion in the previous week.

We expect T-bills Primary Market Auction on Wednesday, 14 November, 2018 to dictate market activities during the week.

### Secondary Market

DTM	Maturity Date	Yield 02/11/2018	Yield 09/11/2018	%Change
20	29-Nov-18	10.04	10.57	+0.53
27	06-Dec-18	12.14	12.50	+0.36
34	13-Dec-18	12.21	11.47	-0.74
55	03-Jan-19	12.92	12.81	-0.11
97	14-Feb-19	13.08	13.07	-0.01
125	14-Mar-19	13.32	13.49	+0.17
146	04-Apr-19	13.64	13.62	-0.02
251	18-Jul-19	14.77	14.41	-0.36
265	01-Aug-19	15.46	15.21	-0.25
307	12-Sep-19	16.44	16.40	-0.04
321	26-Sep-19	16.29	16.33	+0.04
328	03-Oct-19	16.51	16.43	-0.08
349	24-Oct-19	16.46	16.74	+0.28

Source: Anchororia AM Research, FMDQ OTC