



Fixed Income Market Monitor

Monday, 12 November - Friday, 16 November 2018

Money Market

The money market rate increased marginally last week as the Overnight rate (OVN) and Open Buy Back (OBB) rose to 7.17% and 6.33% respectively. Consequently, the average money market rate rose by 2.13% to settle at 6.75% due to decreased system liquidity to close at cN300bn. Inflow for the week included: OMO bills maturity of c424bn. Outflow included: OMO sales of cN450bn 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 close higher as banks participate in the CBN biweekly Fx auction.

Instrument	09/11/2018	16/11/2018	Change
OBB	4.25%	6.33%	+2.08%
OVN	5.00%	7.17%	+2.17%

Source: Anchoria AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.70/\$, a 0.02% increase while the rate in the Investors and Exporters' FX Window and parallel market rate rose by 0.11% and 0.55% to close at N364.01/\$ and N364.50/\$ respectively.

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

	09/11/2018	16/11/2018	Change
CBN Official Rate	306.65	306.70	+0.02%
I&E FX Window	363.60	364.01	+0.11%
Everdon BDC Rate	362.50	364.50	+0.55%

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI Crude oil fell by 4.39% and 6.20% to close at \$67.10 and \$56.46 per barrel respectively. This represents six weeks of a consecutive fall in the prices of the Crude Oil futures.

Factors responsible for the continued bearish trend include:

- Increase in US Crude Inventories as trade war between China and US persist.
- Trump Administration's weakening position of economic sanctions on Iran.
- Saudi Arabia, Russia and other smaller producers have more than compensated for the lost Iranian oil.

Fixed Income

Bond

The Bond market continued on its bearish trend last week with yields rising across most maturities with selloff well pronounced on 2020 and 2037 bonds. Average yield rose by 4bps to close the week at 15.48%.

The following factors are expected to shape the market in the week ahead, these include:

- Expectation of hike in inflation rate which is expected to be released on Wednesday, 21 November 2018.
- CBN Monetary Policy Committee Meeting between Wednesday and Thursday 21 -22 November 2018.
- November Bond Auction on Wednesday, 21 November 2018.

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 09/11/2018	Yield 16/11/2018	%Change
16.00 29-JUN-2019	29-Jun-19	14.37	14.24	-0.13
7.00 23-OCT-2019	23-Oct-19	15.76	15.87	+0.11
15.54 13-FEB-2020	13-Feb-20	14.72	15.07	+0.35
14.50 15-JUL-2021	15-Jul-21	15.33	15.39	+0.06
16.39 27-JAN-2022	27-Jan-22	15.01	15.09	+0.08
12.75 27-APR-2023	27-Apr-23	15.21	15.21	+0.00
14.20 14-MAR-2024	14-Mar-24	15.35	15.30	-0.05
13.53 23-MAR-2025	23-Mar-25	15.49	15.46	-0.03
12.50 22-JAN-2026	22-Jan-26	15.61	15.60	-0.01
16.2884 17-MAR-2027	17-Mar-27	15.62	15.69	+0.07
13.98 23-FEB-2028	23-Feb-28	15.79	15.82	+0.04
15.00 28-NOV-2028	28-Nov-28	15.69	15.68	-0.01
12.49 22-MAY-2029	22-May-29	15.70	15.69	-0.01
8.50 20-NOV-2029	20-Nov-29	15.71	15.71	-0.01
10.00 23-JUL-2030	23-Jul-30	15.73	15.73	-0.01
12.1493 18-JUL-2034	18-Jul-34	15.84	15.84	0.00
12.40 18-MAR-2036	18-Mar-36	15.62	15.67	+0.05
16.2499 18-APR-2037	18-Apr-37	15.42	15.59	+0.17

Source: Anchoria AM Research, FMDQ OTC

Treasury Bills

Following reduced system liquidity, OMO Auction and T-bill Primary Market Auction during the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose by 32bps to close the week at 14.00%. Market activities were relatively active as the value of transactions rose to N1.41 trillion from N1.12 trillion in the previous week.

The Primary Market Auction during the week witnessed an increased interest in longer tenor bills. 91 days: Fell to 10.95% from 10.98%, 182 days: Fell to 13.16% from 13.49% and 364 days: rose to 14.45% from 14.40%.

Secondary Market

DTM	Maturity Date	Yield 09/11/2018	Yield 16/11/2018	%Change
20	06-Dec-18	12.50	12.26	-0.24
48	03-Jan-19	12.81	13.09	+0.28
90	14-Feb-19	13.07	13.38	+0.32
118	14-Mar-19	13.49	13.85	+0.37
139	04-Apr-19	13.62	13.59	-0.04
153	18-Apr-19	13.40	13.30	-0.10
244	18-Jul-19	14.41	15.29	+0.88
258	01-Aug-19	15.21	15.41	+0.20
300	12-Sep-19	16.40	16.39	-0.01
321	03-Oct-19	16.43	16.54	+0.11
335	17-Oct-19	16.71	16.50	-0.21
342	24-Oct-19	16.74	16.51	-0.23

Source: Anchoria AM Research, FMDQ OTC