



Fixed Income Market Monitor

Monday, 29 October - Friday, 02 November 2018

Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back (OBB) fell to 4.83% and 4.03% respectively. Consequently, the average money market rate fell by 6.45% to settle at 4.43% due to increased system liquidity to close at cN811bn. Inflow for the week included: OMO bills maturity of cN382bn, and FAAC payments of cN355bn while Outflow included: OMO sales of cN518bn 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 multiple OMO Auctions during the week, we expect the money market rates to close little higher than the current rates.

Instrument	26/10/2018	02/11/2018	Change
OBB	10.33%	4.03%	-6.30%
OVN	11.42%	4.83%	-6.59%

Source: Anchororia AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.60/\$, a 0.02% increment while the rate in the Investors and Exporters' FX Window fell by 0.03%. Naira at the parallel market rose by 0.14% 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.

	26/10/2018	02/11/2018	Change
CBN Official Rate	306.55	306.60	+0.02%
I&E FX Window	363.84	363.74	-0.03%
Everdon Rate	362.00	362.50	+0.14%

Source: Anchororia AM Research, FMDQ OTC

Commodities

The Brent Crude oil and WTI Crude oil fell by 6.69% and 7.28% to close at \$72.43 per barrel and \$62.67 per barrel respectively. This represents four weeks of a consecutive fall in the prices of the Crude Oil futures. This is due to surging US supply and speculation that American sanctions against Iran will not succeed in reducing exports as Saudi Arabia reiterates its commitment to offset the deficit from the Iran Sanction.

Fixed Income

Bond

The Bond market continued on its bearish trend last week with yields rising across most maturities traded and selloffs more pronounced on 2034 and 2030 bonds. This is due to reduced local institutional investors (Asset Managers and Pension Fund Managers) interest towards the instrument. Average yield rose by 23bps to close the week at 15.35%.

We expect the bearish trend to continue in the new week as market participants anticipate higher stop rates at auctions.

Secondary Market

Description	Maturity Date	Yield		%Change
		26/10/2018	02/11/2018	
16.00 29-JUN-2019	29-Jun-19	14.38	14.16	-0.22
7.00 23-OCT-2019	23-Oct-19	15.58	15.65	+0.07
15.54 13-FEB-2020	13-Feb-20	14.56	14.62	+0.06
14.50 15-JUL-2021	15-Jul-21	15.22	15.23	+0.01
16.39 27-JAN-2022	27-Jan-22	14.71	14.94	+0.23
12.75 27-APR-2023	27-Apr-23	14.95	15.15	+0.20
14.20 14-MAR-2024	14-Mar-24	15.13	15.30	+0.17
13.53 23-MAR-2025	23-Mar-25	15.15	15.43	+0.28
12.50 22-JAN-2026	22-Jan-26	15.17	15.53	+0.36
16.2884 17-MAR-2027	17-Mar-27	15.24	15.49	+0.25
13.98 23-FEB-2028	23-Feb-28	15.36	15.64	+0.28
15.00 28-NOV-2028	28-Nov-28	15.21	15.58	+0.37
12.49 22-MAY-2029	22-May-29	15.22	15.59	+0.37
8.50 20-NOV-2029	20-Nov-29	15.23	15.60	+0.37
10.00 23-JUL-2030	23-Jul-30	15.23	15.62	+0.39
12.1493 18-JUL-2034	18-Jul-34	15.29	15.70	+0.41
12.40 18-MAR-2036	18-Mar-36	15.29	15.67	+0.38
16.2499 18-APR-2037	18-Apr-37	15.17	15.33	+0.16

Source: Anchororia AM Research, FMDQ OTC

Treasury Bills

Due to a relatively buoyant system liquidity during the week, the treasury bills market traded on a bullish note. Consequently, the average yield fell by 29bps to close the week at 13.44%. Market activities were relatively active as the value of transactions rose to N6.00 trillion from N1.02 trillion in the previous week.

We expect T-bills yield to trend higher due to anticipated reduced system liquidity via OMO and FX auctions during the week.

Primary Market Auction

	91-Day	182-Day	364-Day
Offer Amount	9,541,924,000	47,709,615,000	88,037,883,000
Total Subscription	7,913,753,000	43,522,527,000	212,000,523,000
Allotment	7,851,744,000	43,522,527,000	93,915,151,000
Range of Bid Rates (%):	10.70 – 13.00	12.00 – 13.49	13.20 – 15.99
Stop Rates (%):	10.98	13.49	14.40

Secondary Market

DTM	Maturity Date	Yield		%Change
		26/10/2018	02/11/2018	
20	22-Nov-18	12.44	9.30	-3.14
27	29-Nov-18	11.98	10.04	-1.94
34	06-Dec-18	13.43	12.14	-1.29
41	13-Dec-18	12.92	12.21	-0.71
62	03-Jan-19	13.25	12.92	-0.33
104	14-Feb-19	13.75	13.08	-0.67
132	14-Mar-19	13.61	13.32	-0.29
153	04-Apr-19	13.37	13.64	+0.27
258	18-Jul-19	14.81	14.77	-0.04
272	01-Aug-19	15.62	15.46	-0.16
314	12-Sep-19	16.17	16.44	+0.27
321	19-Sep-19	16.21	16.28	+0.07
328	26-Sep-19	16.23	16.29	+0.06
335	03-Oct-19	16.38	16.51	+0.13

Source: Anchororia AM Research, FMDQ OTC