



Fixed Income Market Monitor

Monday, 03 December - Friday, 07 December 2018

Money Market

The money market rate increased significantly last week as the Overnight rate (OVN) and Open Buy Back (OBB) rose to 26.08% and 24.33% respectively. Consequently, the average money market rate rose by 8.24% to settle at 25.21% due to CBN activities to aggressively mop up liquidity during the week, despite significant inflow from October FAAC payment of cN342bn and OMO maturity of cN684.84bn.

Major outflow for the week included: OMO sales of cN54.62bn on Monday, cN94.50bn on Tuesday, cN92.08bn on Wednesday and cN691.51bn (Special OMO sales of N287.73bn inclusive) on Thursday; bi-weekly Retail FX auction; and weekly Wholesale, Invisible and SME FX auction of \$210mn.

We expect the CBN to continue its aggressive mop up activities this week as Treasury bills and OMO maturity hit the system.

| Instrument | 30/11/2018 | 07/12/2018 | Change |
|------------|------------|------------|--------|
| OBB | 16.57% | 24.33% | +7.76% |
| OVN | 17.36% | 26.08% | +8.72% |

Source: Anchororia AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.85/\$, a 0.02% increase while the rate in the Investors and Exporters' FX Window rose by 0.34% to close at N365.33/\$.

With the introduction of the special FX intervention to Bureau De Change last week, we saw appreciation in the country's currency at the parallel market with a decline in rate by 1.21% to close at N366.00/\$

| | 30/11/2018 | 07/12/2018 | Change |
|-------------------|------------|------------|--------|
| CBN Official Rate | 306.80 | 306.85 | +0.02% |
| I&E FX Window | 364.10 | 365.33 | +0.34% |
| Everdon BDC Rate | 370.50 | 366.00 | -1.21% |

Source: Anchororia AM Research, FMDQ OTC

Commodities

The Brent Crude and WTI Crude Oil rose by 5.04% and 3.30% to close at \$61.67 and \$52.61 per barrel after Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers including heavyweight Russia announced they would cut oil supply by 1.2 million barrels per day (bpd), with an 800,000-bpd reduction planned by OPEC members and 400,000 bpd by countries not affiliated with the group.

Other factors included:

- 1) The shutdown of the 315,000-bpd El Sharara oilfield in Libya also helped push Brent, traders
- 2) Increased in US production during the week.

Fixed Income

Bond

The Bond Market traded on a bearish note last week with yields rising across most maturities with the exception of 2020 and 2027 bonds that fell by 11bps and 17bps respectively. Average yield rose by 13bps to close the week at 15.60%.

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

1. Gross Domestic Product (GDP) Q3 result which is expected to be out on Monday, 10 December 2018.
2. December Bond Auction
3. Expected FGN Sukuk Bond Issuance

We expect the bearish trend to continue in the new week as market participants maintain a cautious outlook on bond yield ahead of the Treasury bills and Bond Auction.

Secondary Market

| Description | Maturity Date | Yield 30/11/2018 | Yield 07/12/2018 | %Change |
|---------------------|---------------|------------------|------------------|---------|
| 16.00 29-JUN-2019 | 29-Jun-19 | 13.85 | 14.87 | +1.02 |
| 7.00 23-OCT-2019 | 23-Oct-19 | 15.88 | 16.09 | +0.21 |
| 15.54 13-FEB-2020 | 13-Feb-20 | 15.38 | 15.27 | -0.11 |
| 14.50 15-JUL-2021 | 15-Jul-21 | 15.44 | 15.76 | +0.32 |
| 16.39 27-JAN-2022 | 27-Jan-22 | 14.80 | 15.01 | +0.21 |
| 12.75 27-APR-2023 | 27-Apr-23 | 15.00 | 15.16 | +0.16 |
| 14.20 14-MAR-2024 | 14-Mar-24 | 15.14 | 15.27 | +0.13 |
| 13.53 23-MAR-2025 | 23-Mar-25 | 15.46 | 15.56 | +0.10 |
| 12.50 22-JAN-2026 | 22-Jan-26 | 15.72 | 15.80 | +0.08 |
| 16.2884 17-MAR-2027 | 17-Mar-27 | 15.84 | 15.67 | -0.17 |
| 13.98 23-FEB-2028 | 23-Feb-28 | 15.89 | 15.97 | +0.08 |
| 15.00 28-NOV-2028 | 28-Nov-28 | 15.74 | 15.79 | +0.05 |
| 12.49 22-MAY-2029 | 22-May-29 | 15.74 | 15.79 | +0.05 |
| 8.50 20-NOV-2029 | 20-Nov-29 | 15.75 | 15.79 | +0.04 |
| 10.00 23-JUL-2030 | 23-Jul-30 | 15.75 | 15.79 | +0.04 |
| 12.1493 18-JUL-2034 | 18-Jul-34 | 15.78 | 15.78 | +0.00 |
| 12.40 18-MAR-2036 | 18-Mar-36 | 15.74 | 15.77 | +0.03 |
| 16.2499 18-APR-2037 | 18-Apr-37 | 15.60 | 15.65 | +0.05 |

Source: Anchororia AM Research, FMDQ OTC

Treasury Bills

Due to CBN's aggressive mop up in system liquidity during the week, the treasury bills market traded on a bearish note. Consequently, the average yield rose by 83bps to close the week at 15.57%. Market activities were relatively active as the value of transactions rose to N1.56 trillion from N1.26 trillion in the previous week.

Secondary Market

| DTM | Maturity Date | Yield 30/11/2018 | Yield 07/12/2018 | %Change |
|-----|---------------|------------------|------------------|---------|
| 13 | 20-Dec-18 | 13.30 | 14.95 | +1.65 |
| 41 | 17-Jan-19 | 13.53 | 14.65 | +1.12 |
| 48 | 24-Jan-19 | 13.67 | 14.79 | +1.12 |
| 55 | 31-Jan-19 | 12.85 | 14.36 | +1.51 |
| 76 | 21-Feb-19 | 13.53 | 14.89 | +1.36 |
| 104 | 21-Mar-19 | 13.60 | 14.70 | +1.10 |
| 132 | 18-Apr-19 | 13.70 | 13.90 | +0.20 |
| 153 | 09-May-19 | 13.77 | 14.52 | +0.75 |
| 223 | 18-Jul-19 | 14.91 | 15.13 | +0.22 |
| 237 | 01-Aug-19 | 15.49 | 16.21 | +0.72 |
| 279 | 12-Sep-19 | 16.78 | 16.75 | -0.03 |
| 300 | 03-Oct-19 | 16.67 | 16.97 | +0.30 |
| 314 | 17-Oct-19 | 16.91 | 17.04 | +0.13 |
| 321 | 24-Oct-19 | 16.62 | 17.24 | +0.62 |
| 328 | 31-Oct-19 | 16.77 | 17.12 | +0.35 |
| 335 | 07-Nov-19 | 17.36 | 17.34 | -0.02 |
| 342 | 14-Nov-19 | 17.13 | 17.28 | +0.15 |
| 349 | 21-Nov-19 | 16.97 | 17.39 | +0.42 |
| 356 | 28-Nov-19 | 17.25 | 17.41 | +0.16 |