



Fixed Income Market Monitor

Monday, 17 December - Friday, 21 December 2018

Money Market

The money market rate decreased last week as the Overnight rate (OVN) and Open Buy Back (OBB) fell to 25.08% and 21.67% respectively. Consequently, the average money market rate fell by 2.52% to settle at 23.38% despite the CBN aggressive liquidity mop up on all trading days except Friday. The System liquidity is estimated to have increased to N200bn from N16bn in the previous week. Major inflow for the week included: OMO maturity and Treasury Bills Maturity of cN492bn.

Major outflow for the week included: OMO sales of cN20.49bn on Monday, cN24.60bn on Tuesday, cN40.13bn on Wednesday, cN471.24bn on Thursday (Inclusive of N195.50 bn Special OMO); and weekly Wholesale, Invisible and SME FX auction of \$210mn.

We expect the CBN to continue its aggressive mop up activities this week, however we anticipate an ease in the money market rates as November FAAC payments and OMO Maturities is expected to hit the system during the week.

| Instrument | 14/12/2018 | 21/12/2018 | Change |
|------------|------------|------------|--------|
| OBB | 24.57% | 21.67% | -2.90% |
| OVN | 27.21% | 25.08% | -2.13% |

Source: Anchoria AM Research, FMDQ OTC

Forex: USD/NGN

The CBN Official rate continued on its upward trend to close at N306.95/\$, a 0.02% increase while the rate in the Investors and Exporters' FX Window fell by 0.19% to close at N364.54/\$. Naira at the parallel market remained unchanged to close at N365.00/\$ (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 despite an increased festive demand for dollars.

| | 14/12/2018 | 21/12/2018 | Change |
|-------------------|------------|------------|--------|
| CBN Official Rate | 306.90 | 306.95 | +0.02% |
| I&E FX Window | 365.23 | 364.54 | -0.19% |
| Everdon BDC Rate | 365.00 | 365.00 | +0.00% |

Source: Anchoria AM Research, FMDQ OTC

Commodities

The Brent Crude and WTI Crude Oil fell by 10.72% and 10.96% to close at \$53.82 and \$45.59 per barrel, this is due to a rise in US oil rigs, slowdown in demand for energy despite report about Saudi Arabia crude oil price cut.

Also, the American Petroleum Institute (API) reported a surprise crude oil inventory build of 3.45 million barrels for the week ending December 14, compared to analyst expectations that we would see a draw in crude oil inventories of 2.475million barrels.

Anchoria Research: +234 908 720 6076; research@anchoriaam.com

Fixed Income

Bond

The Bond Market closed on a bullish note last week with yields compressing across all maturities with the exception of 2020s, 2023s and 2025s bond. Average yields fell by 15bps to close the week at 15.40%.

Given the closure of FGN Sukuk Bond and its attendant over subscription, there was a lull in the bond market during the week. The Bond Auction held on Wednesday witnessed a low subscription rate with a bid to cover ratio of 0.06x. The spot rates on the 2023 and 2025 bonds closed at 15.25% and 15.50% respectively, while the spot rate on the 2028 bond ticked lower by c.33bps to 15.50% from its level of 15.83% at the previous auction.

We anticipate a relatively quiet bond market as demand remains lull and few trading days during the week.

December Bond Market Auction Result

| | 12.75% FGN APR 2023 | 13.53% FGN MAR 2025 | 13.98% FGN FEB 2028 |
|----------------------------|---------------------|---------------------|---------------------|
| Offer Amount (N'000) | 35 billion | 35 billion | 45 billion |
| Total Subscription (N'000) | 3.25 billion | 7.81 billion | 83.06 billion |
| Allotment (N'000) | 1.05 billion | 3.41 billion | 1.29 billion |
| Stop Rates (%): | 12.25 | 15.50 | 15.50 |

Secondary Market

| Description | Maturity Date | Yield 14/12/2018 | Yield 21/12/2018 | %Change |
|---------------------|---------------|------------------|------------------|---------|
| 16.00 29-JUN-2019 | 29-Jun-19 | 14.66 | 13.44 | -1.22 |
| 7.00 23-OCT-2019 | 23-Oct-19 | 15.99 | 15.49 | -0.50 |
| 15.54 13-FEB-2020 | 13-Feb-20 | 15.26 | 15.36 | +0.11 |
| 14.50 15-JUL-2021 | 15-Jul-21 | 15.78 | 15.67 | -0.10 |
| 16.39 27-JAN-2022 | 27-Jan-22 | 15.06 | 15.03 | -0.02 |
| 12.75 27-APR-2023 | 27-Apr-23 | 15.19 | 15.25 | +0.06 |
| 14.20 14-MAR-2024 | 14-Mar-24 | 15.28 | 15.14 | -0.14 |
| 13.53 23-MAR-2025 | 23-Mar-25 | 15.54 | 15.58 | +0.04 |
| 12.50 22-JAN-2026 | 22-Jan-26 | 15.76 | 15.73 | -0.03 |
| 16.2884 17-MAR-2027 | 17-Mar-27 | 15.66 | 15.59 | -0.07 |
| 13.98 23-FEB-2028 | 23-Feb-28 | 15.81 | 15.64 | -0.18 |
| 15.00 28-NOV-2028 | 28-Nov-28 | 15.74 | 15.63 | -0.11 |
| 12.49 22-MAY-2029 | 22-May-29 | 15.74 | 15.63 | -0.11 |
| 8.50 20-NOV-2029 | 20-Nov-29 | 15.74 | 15.63 | -0.11 |
| 10.00 23-JUL-2030 | 23-Jul-30 | 15.73 | 15.63 | -0.10 |
| 12.1493 18-JUL-2034 | 18-Jul-34 | 15.71 | 15.60 | -0.11 |
| 12.40 18-MAR-2036 | 18-Mar-36 | 15.66 | 15.61 | -0.05 |
| 16.2499 18-APR-2037 | 18-Apr-37 | 15.53 | 15.52 | -0.01 |

Source: Anchoria AM Research, FMDQ OTC

Treasury Bills

Despite the CBN's aggressive mop up of the system liquidity during the week, the treasury bills market traded on a bullish note. Consequently, the average yield fell by 9bps to close the week at 15.51%. Market activities were relatively quiet as the value of transactions fell to N0.97 trillion from N1.49 trillion in the previous week.

Secondary Market

| DTM | Maturity Date | Yield 14/12/2018 | Yield 21/12/2018 | %Change |
|-----|---------------|------------------|------------------|---------|
| 41 | 31-Jan-19 | 14.84 | 15.14 | +0.30 |
| 48 | 07-Feb-19 | 15.29 | 15.18 | -0.12 |
| 55 | 14-Feb-19 | 15.13 | 15.10 | -0.03 |
| 83 | 14-Mar-19 | 14.30 | 14.38 | +0.08 |
| 104 | 04-Apr-19 | 14.74 | 14.32 | -0.42 |
| 132 | 02-May-19 | 13.68 | 14.45 | +0.77 |
| 209 | 18-Jul-19 | 15.55 | 15.26 | -0.29 |
| 223 | 01-Aug-19 | 16.06 | 15.74 | -0.31 |
| 265 | 12-Sep-19 | 16.93 | 16.80 | -0.13 |
| 286 | 03-Oct-19 | 16.98 | 16.95 | -0.03 |
| 328 | 14-Nov-19 | 17.05 | 17.15 | +0.10 |
| 349 | 05-Dec-19 | 17.42 | 17.43 | +0.01 |