

# Weekly Fixed Income Watch

FGN Bonds | FGN Eurobonds | Nigerian Treasury Bills | Money Market | Commodities

Monday, 23rd January – Friday, 27th January 2023

## FGN BONDS

This week, the FGN bond market experienced a typical trading outing with both supportive and discouraging levels of demand. The market opened the week with more yield dips, which was accentuated in the subsequent trading days by choppy trading patterns across all bond maturities.

As midweek approached, the impact of the hike in the monetary policy rate to 17.5% had a mild effect on FGN bond yields given the continual downtrend observed throughout the week. Perhaps, investors are getting their order books ready for the debut bond auction on January 30. The average FGN bond yield closed at 13.57% compared to 13.94% last week.

Description	Yield (%) 27-Jan-23	Yield (%) 20-Jan-23	Change
14.20 14-MAR-2024	7.80	10.60	-2.80
13.53 23-MAR-2025	10.84	12.05	-1.21
12.50 22-JAN-2026	12.25	12.39	-0.14
16.2884 17-MAR-2027	13.37	13.90	-0.53
13.98 23-FEB-2028	13.62	13.62	0.00
14.55 26-APR-2029	13.78	13.78	0.00
12.1493 18-JUL-2034	14.49	14.49	0.00
12.50 27-MAR-2035	14.58	14.58	0.00
12.40 18-MAR-2036	14.92	14.92	0.00
16.2499 18-APR-2037	15.30	15.29	0.01
13.00 21-JAN-2042	15.15	15.15	0.00
14.80 26-APR-2049	15.36	15.36	0.00
12.98 27-MAR-2050	14.96	15.03	-0.07

## FGN EUROBONDS

Compared to how it opened the year, the FGN Eurobond market has been losing favour before traders and fund managers, and this has resulted in a sharp outturn of events. Demand for the dollar-denominated instrument stayed on the low side for most of the trading week under review but the market turned completely red in the last two days, possibly a foreshadowing of what might transpire when the election season comes proper.

The average FGN Eurobonds ended the week at 10.52% from from 9.99% a week ago.

Description	Yield (%) 27-Jan-23	Yield (%) 20-Jan-23	Change
6.375 JUL 12, 2023	8.34	7.73	0.61
7.625 21-NOV-2025	9.42	8.79	0.62
6.50 NOV 28, 2027	9.42	8.79	0.62
8.375 MAR 24, 2029	11.11	10.64	0.47
8.747 JAN 21, 2031	11.41	10.85	0.56
7.875 16-FEB-2032	11.41	10.90	0.52
7.625 NOV 28, 2047	11.39	10.93	0.46
9.248 JAN 21, 2049	11.69	11.30	0.39

## COMMODITIES

This week, crude oil prices were weighed down by strong growth in crude oil supply quantity. The American Petroleum Institute reported that crude oil production in the USA reached the highest levels since August 2022, totalling 2.2 million barrels per day, which combined forces with large drawdowns from the strategic petroleum reserves (SPR).

The API reported that the number of crude oil withdrawals from the SPR had depressed the balance of the reserves to a level not seen since 1983. Brent and WTI thus closed the week at lower prices.

Release of the Q4 2022 GDP report for the USA showing a 2.9% growth led to a reclining gold market during the week. However, profit-seeking investors swooped in to purchase more ounces, supporting an eventual bullish outing for gold this week.

(\$)	27-Jan-23	20-Jan-23	Change
Brent Oil/barrel	86.66	87.68	-1.02
WTI Oil/barrel	79.68	81.64	-1.96
Gold/ounce	1,945.60	1,944.90	0.70

## TREASURY BILLS

The Nigerian Treasury Bill market was thoroughly bullish this week occasioned by high demand, which in turn was spurred by greater availability of liquidity and the need for the inclusion of the government security into investment portfolios.

Right from the first day of the week, T-bill yields noted successive dips in yield across all maturities. This bullish trend persisted till the end of the trading week, bringing down the average Tbill yield by 200bps to 1.61% from 3.61% recorded last week.

DTM	Maturity Date	Yield (%) 27-Jan-23	Yield (%) 20-Jan-23	Change
13	09-Feb-23	0.92	1.54	-0.62
41	09-Mar-23	0.98	1.83	-0.85
90	27-Apr-23	1.10	2.44	-1.34
104	11-May-23	1.13	2.72	-1.59
132	08-Jun-23	1.20	3.29	-2.09
223	07-Sep-23	1.42	5.20	-3.79
272	26-Oct-23	1.54	5.85	-4.32
286	09-Nov-23	2.30	6.03	-3.73
314	07-Dec-23	3.87	5.23	-1.36

## FOREX: NGN/USD

The Naira continued to depreciate against the US Dollar in the official market closing at an official rate of ₦460.78/ \$1. The Naira is pegged to depreciate further against the dollar moving further into the year if the monetary authority is incapable of meeting the demand level for foreign currencies by individuals and corporates.

Given the large premium between the parallel and official exchange rates, a naira devaluation may not be far-fetched in the short term.

	27-Jan-23	20-Jan-23	Change
I&E FX Window	460.78	455.56	5.22

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## MONEY MARKET

The Open Repurchase rate and the Overnight rate both retreated on a week-on-week basis which reflects a decline in the demand for liquidity by financial institutions. The Open Repo rate stood at 10.50% (20/23 11.00%) likewise the Overnight rate slightly decreased to 11.00% (20/23 11.50%).

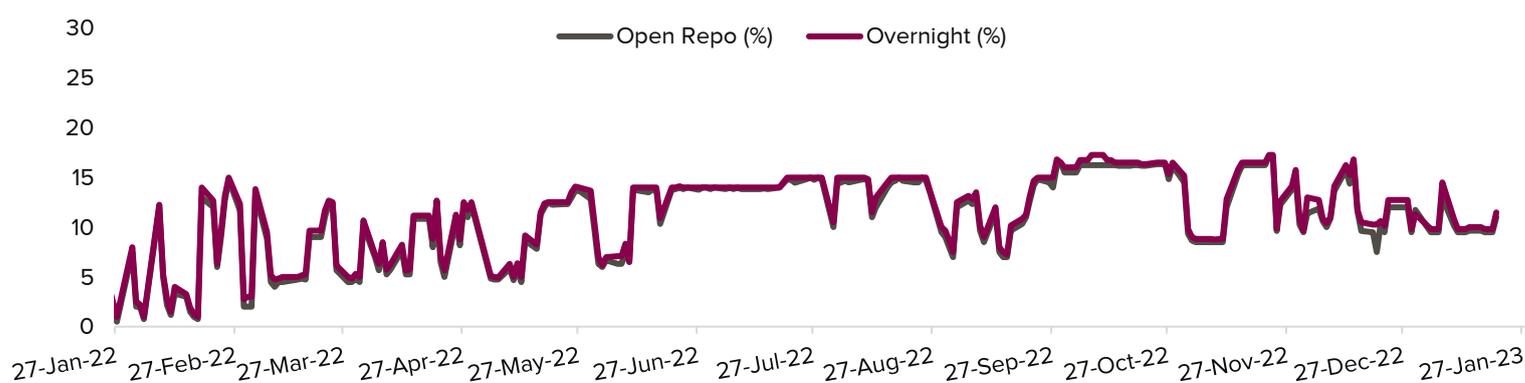
	27-Jan-23	20-Jan-23	Change
Open Repo (%)	10.50	11.00	-0.50
Overnight Rate (%)	11.00	11.50	-0.50

## FUND PRICES

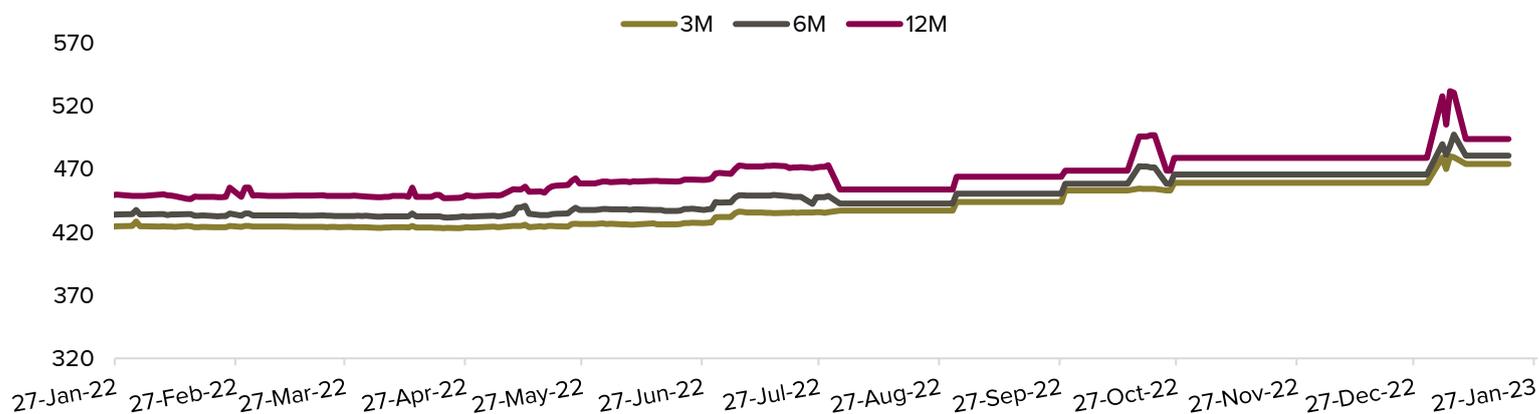
As of the close of the week ended Friday, January 27, 2023, the AVA Global Asset Managers Limited Naira and US Dollar Fixed Income Funds closed with a year-to-date return of 5.04% and -1.99% respectively.

	Bid Price	Offer Price	YTD Return
AVA GAM Dollar Fund	\$99.89	\$99.89	5.04%
AVA GAM Naira Fund	₦1,103.96	₦1,103.96	1.99%

### Money Market Rates



### FX Future Contracts (₦/\$)



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