

# Fixed Income Market: Q1 2022 Review



## Highlight

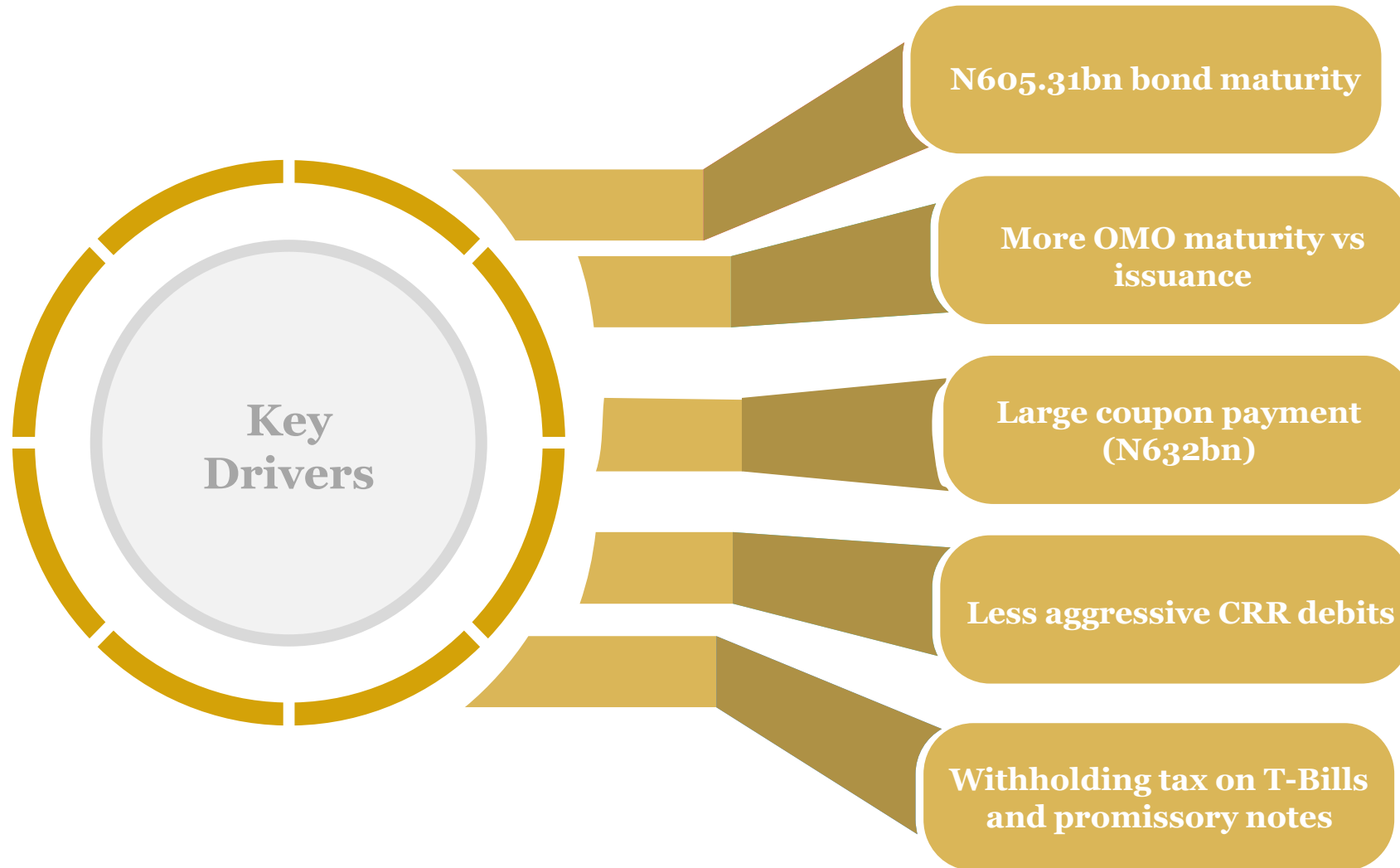
Low yield environment

Rising inflation

Increased government deficit



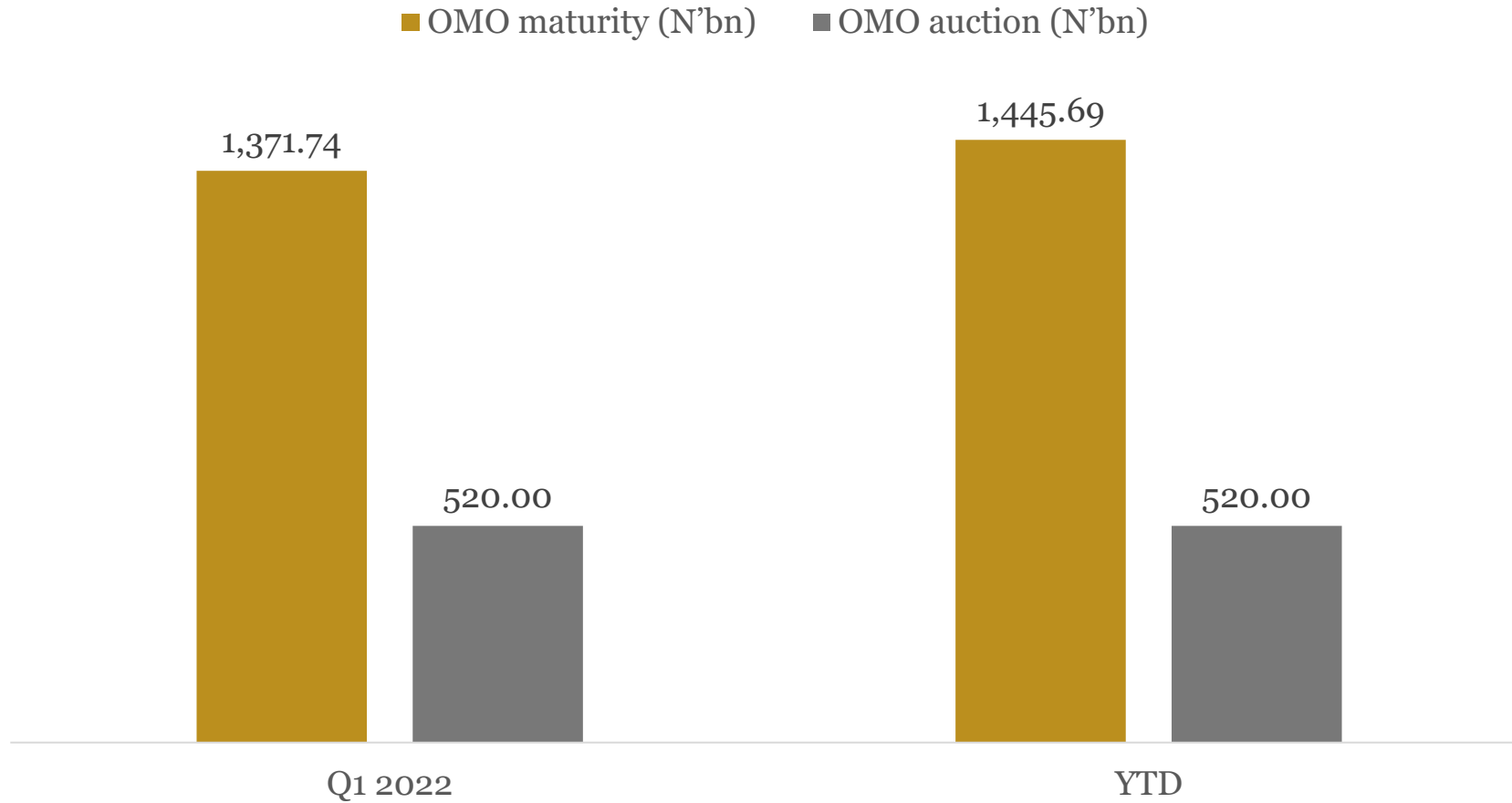
## Low yield environment





## Low yield environment

More OMO maturity than issuance





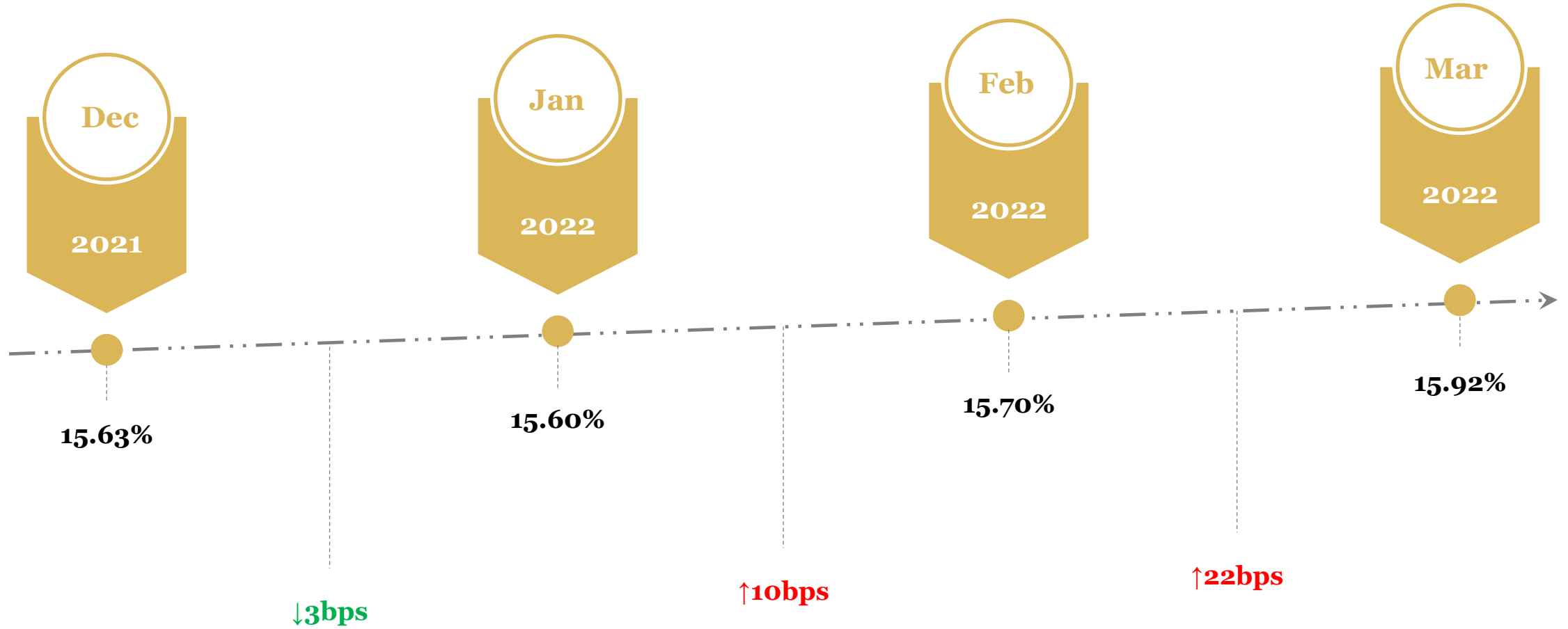
## Low yield environment

More OMO maturity than issuance

	Q1 2022	YTD
	(N'mm)	(N'mm)
<b>OMO maturity</b>	1,445,687.86	1,371,737.86
<b>OMO auction</b>	(520,000.00)	(520,000.00)
	<b>925,687.86</b>	<b>851,737.86</b>



# Rising Inflation



Rising energy prices  
Subdued food production



**Downward trend in yield**

Amid the high liquidity



**Hunt for higher yields**

Asset managers and PFAs seek FDs and CPs with higher yields

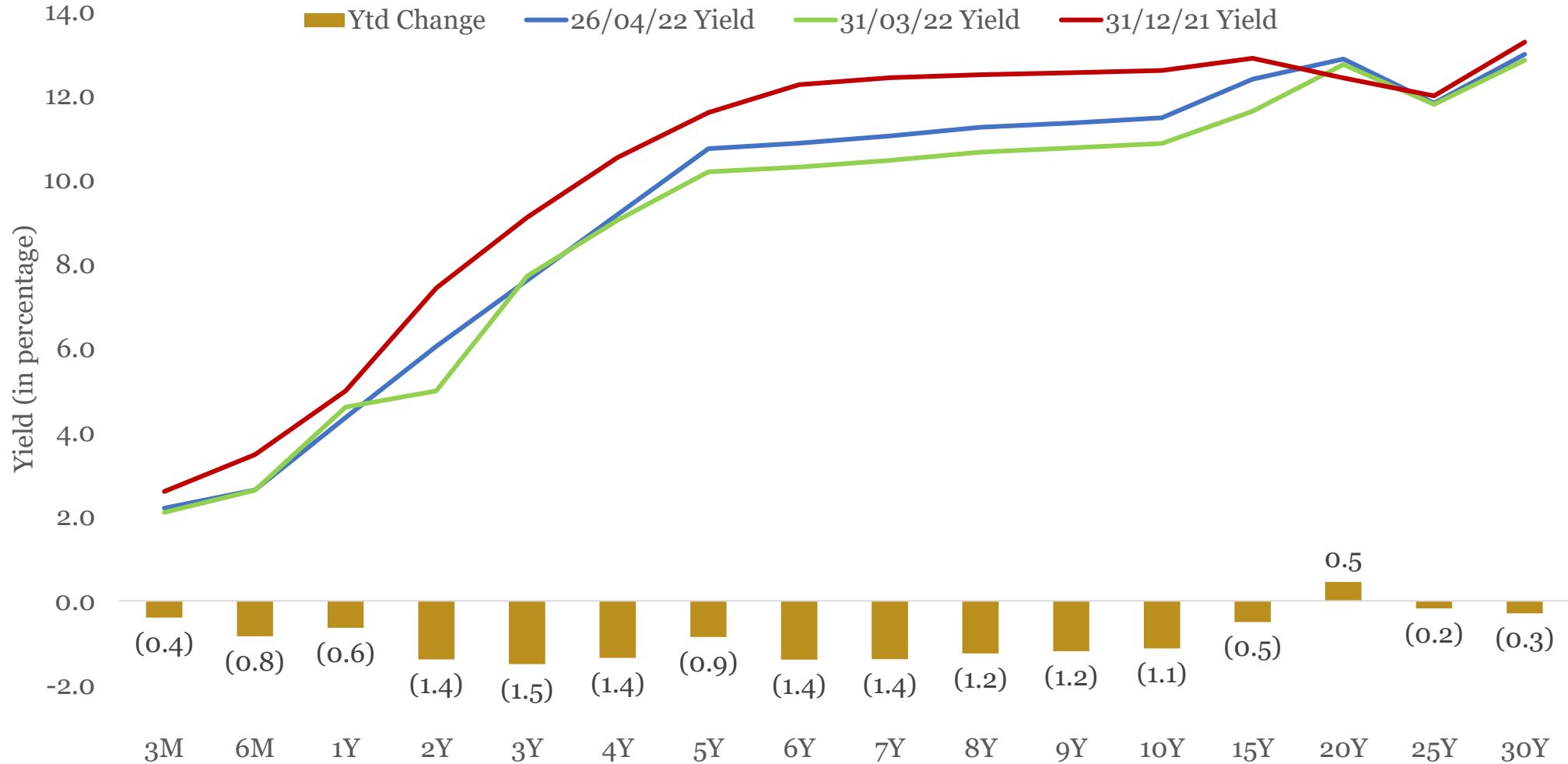


**Short term bond demand**

Banks bought short term bonds in a bid to avoid WHT tax on T-Bills



### Naira Yield Curve

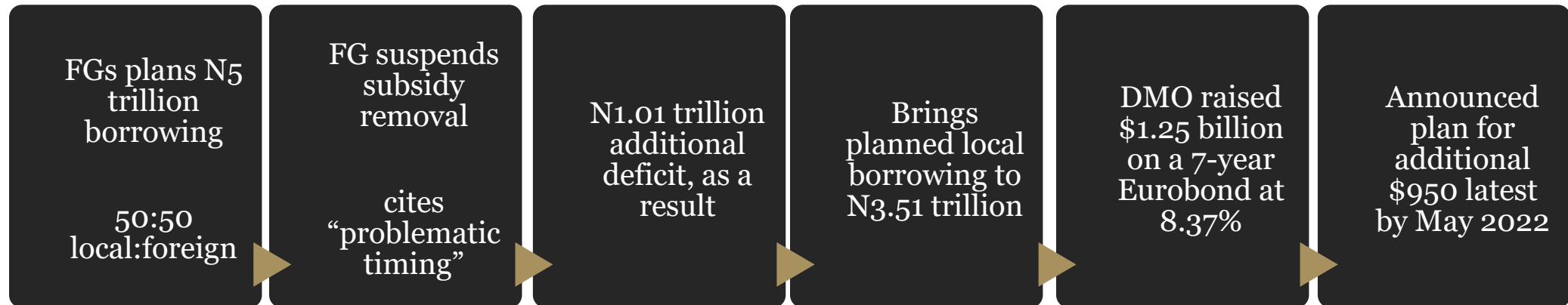






## Increased government deficit

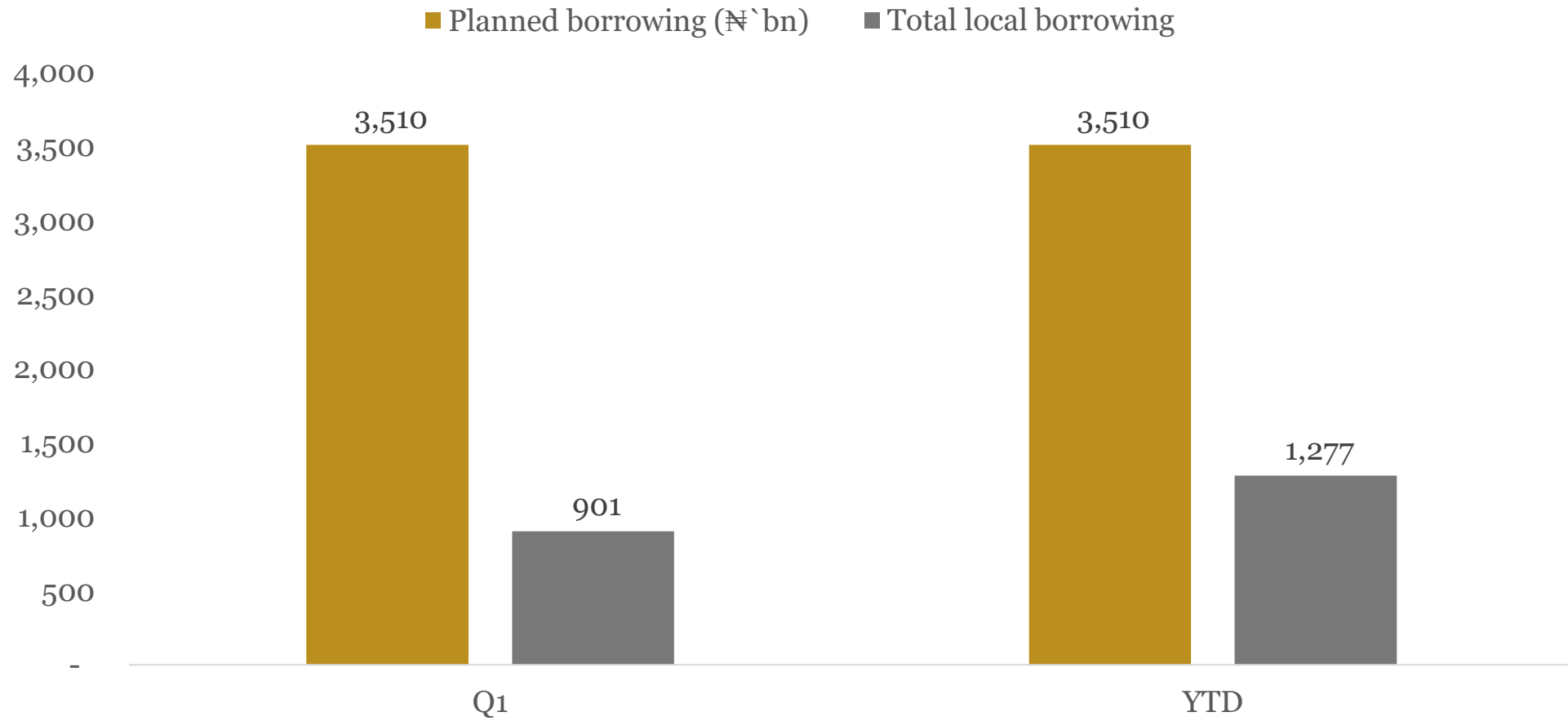
FGN fiscal events...





## Increased government deficit

### FGN local borrowing in Q1 2022





## Increased government deficit

### FGN local borrowing YTD

			<b>Planned borrowing</b>	<b>% realised</b>
	(N'mm)	(N'mm)	(N'mm)	
NTB auction	1,626,683.97			
NTB maturity	(976,250.33)			
Net NTB borrowing		650,433.63		
Bond auction	1,231,650.00			
Bond maturity	(605,310.00)			
Net bond borrowing		626,340.00		
<b>Total local borrowing YTD</b>		<b>1,276,773.63</b>	<b>3,510,000.00</b>	<b>36.38%</b>

# Fixed Income Market: Q2 2022 Outlook



## Key Drivers





## Expected Outcome

01

**Inflation trending upwards: >16% by EOQ**

*Driven by increasing energy prices and constraints on food and fertilizer production*

02

**Possible hike in MPR: c.12.50% by EOQ**

*Given the 6:4 vote recorded at the last MPC meeting compared to previous unanimous voting*

03

**Upward trend in fixed income yields**

*As low system liquidity + FG's need to borrow, will drive yield upwards*

04

**Increased CRR debits by the CBN**

*To fund the FG by Ways & Means at cheaper means of borrowing*

As an investor...



As an investor...

**Staggered  
buying**

Stagger your entry in fixed income and buy along the rise in yield to limit your risk

**Seek FX  
exposure**

Take position in Eurobonds to protect from the downside in local currency devaluation

**Alternative  
investments**

Seek alternative investments with potential returns that can beat inflation



# Thank You