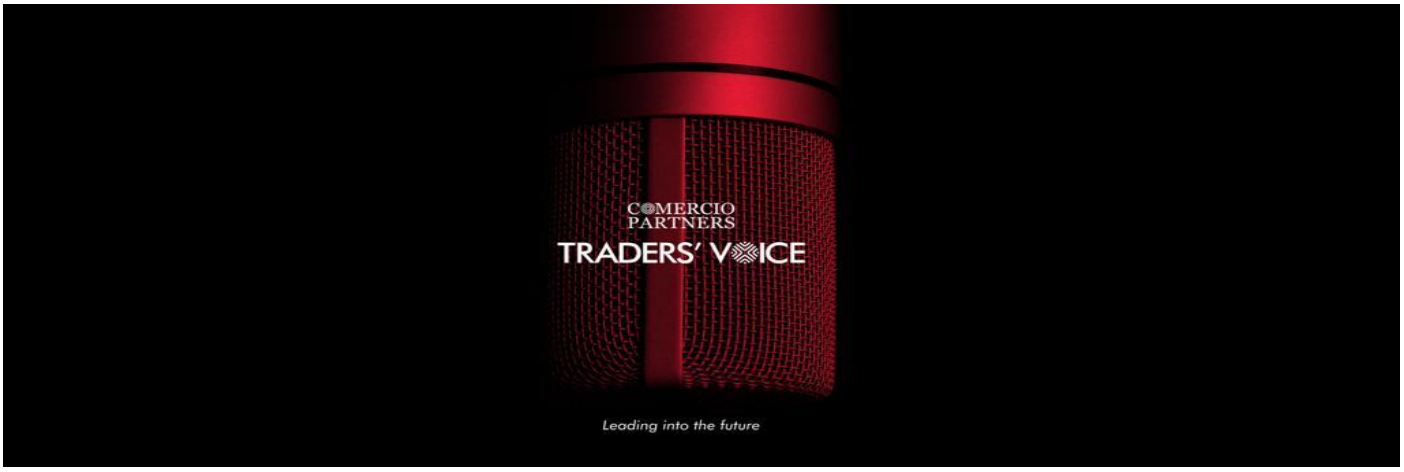


October 7, 2026

Dear All,

The Comeback Nobody Asked For

Dear All,

Apparently, everybody in Lagos is now a billionaire.

And if you are wondering, I am talking about the game "Lagos Life."

If you have somehow managed to avoid the game that has taken over timelines recently, congratulations. The rest of us have spent the last few days watching people live out their Lagos dreams from the comfort of their phones. Get a job, find an apartment, go out, survive Lagos and the game randomly decides whether you are a Nepo baby or a Lapo baby.

Well, it was realistic until Nigerians did what they do best and found a way around the system.

Somehow, people figured out how to generate ridiculous amounts of money and before you know it, everybody was sitting on billions and trillions. You open your phone and somebody is casually transferring ₦50 billion to another player.

At some point, I started wondering what exactly the inflation rate in Lagos Life must be.

Because if everybody has ₦1 trillion, that ₦50,000 shawarma is not going to remain ₦50,000 for long.

Funny enough, while Lagos Life players have been swimming in money, the real world has been dealing with the exact opposite problem.

And if you have been holding bonds over the past few days, I sympathize with you.

Source: Instagram

No Free Lunch

Remember the last edition?

The Fed had just raised rates by 25bps, and you would have expected Eurobonds to sell off aggressively. Instead, buyers came in at market open.

The short sellers took some flogging.

I even said it then: the market does not trade the news; it trades how it feels about the news.

Well, the market's feelings have changed.

A week after the hike, the US flash PMI (Purchasing Manager's Index) came out, and it was a plot twist. The composite jumped to 58.4, the strongest in more than five years, with services and manufacturing both beating forecasts by a mile. So, the US economy was not slowing down for the Fed. The 10-year yield pushed through 5% for the first time since 2007, and the odds of another hike in October jumped above 70%.

You know that awkward situation where good news becomes bad news? This was one of those.

A strong economy is usually something everybody celebrates. But when inflation is still above target, oil is around $100 and the Fed has only recently returned to hiking rates, strong growth begins to look less like good news and more like permission for the Fed to keep rates high.

Bond traders saw the numbers and quickly realized that the higher-for-longer interest rate environment was not going away just yet.

That was enough to send yields sharply higher.

Source: Comercio partners/Bloomberg

The U.S. 10-year Treasury yield climbed above 5.3%, touching levels last seen in 2002/2006, while the 30-year moved above 5.7%, also around a 24-year high.

For some context, the last time the U.S. 10-year was around these levels, Arsenal's Invincibles had not even happened yet.

That is how long ago we are talking about.

And the scary part is that this is no longer simply a Fed story.

- America has a huge fiscal deficit.
- Corporates are also borrowing aggressively, especially around the AI infrastructure boom.
- Then add oil above $100 and an economy that refuses to slow properly.

Investors now want to be compensated.

And America is not suffering alone.

France's 10-year yield pushed toward 5%, Italy moved higher, while the UK 30-year gilt climbed above 6% during the selloff. This has become a proper global bond sell off, driven by some combination of inflation fears, fiscal worries, heavy government borrowing and the energy shock from the Iran conflict.

Source: Comercio partners/Bloomberg

Key:

US 10YR (white)

France 10YR (blue)

Italy 10YR (orange)

Germany 10YR (purple)

And of course, SSA Eurobonds were not spared. Once U.S. Treasury yields started climbing, SSA Eurobonds followed because, whether we like it or not, if the U.S. 10-year decides to move 30 or 40bps higher, everybody suddenly remembers that your bond still has to compete with a Treasury paying above 5%.

Friday's jobs report gave everyone a breather. Only 29,000 jobs were added against roughly 96,000 expected, and unemployment rose to 4.2%. The 10-year dipped to about 5.16%, then settled around 5.27%–5.28%.

Now add fresh supply. The Treasury is lining up $39 billion of 10-year notes on Wednesday. With the 10-year back at the highs, investors have one question: "*If you want me to take another $39 billion off your hands, what exactly are you offering?*"

So NFP data took the 10-year down to 5.16%, and going into the auction it is back at **5.35%**, as if Friday never happened. Friday was the pause menu. The bond market exhaled, and some people probably even opened a bottle, but the game never really stopped. Anyone who has played Lagos Life knows that pausing does not pay the rent. Now the timer is back on, with the 10-year at its highest since 2002 and $39 billion of it waiting to be sold. Wednesday's auction is the moment we find out whether anybody wants to buy at these levels.

Add the Fed minutes, inflation expectations and oil lurking in the background, and long traders may be reaching for the blood pressure tablets before the week is over.

The Reset

Now let us come back home because apparently Nigerian bonds also decided that everybody had enjoyed themselves enough.

You remember September 22.

The MPC reduced the MPR by 350bps from 26.5% to 23%.

Sorry. Reset.

The CBN was very clear that this was not simply easing. The argument was that the old MPR had become disconnected from actual market rates, with interbank rates already trading much closer to 22%. So the MPC was effectively moving the policy rate closer to where money was already clearing.

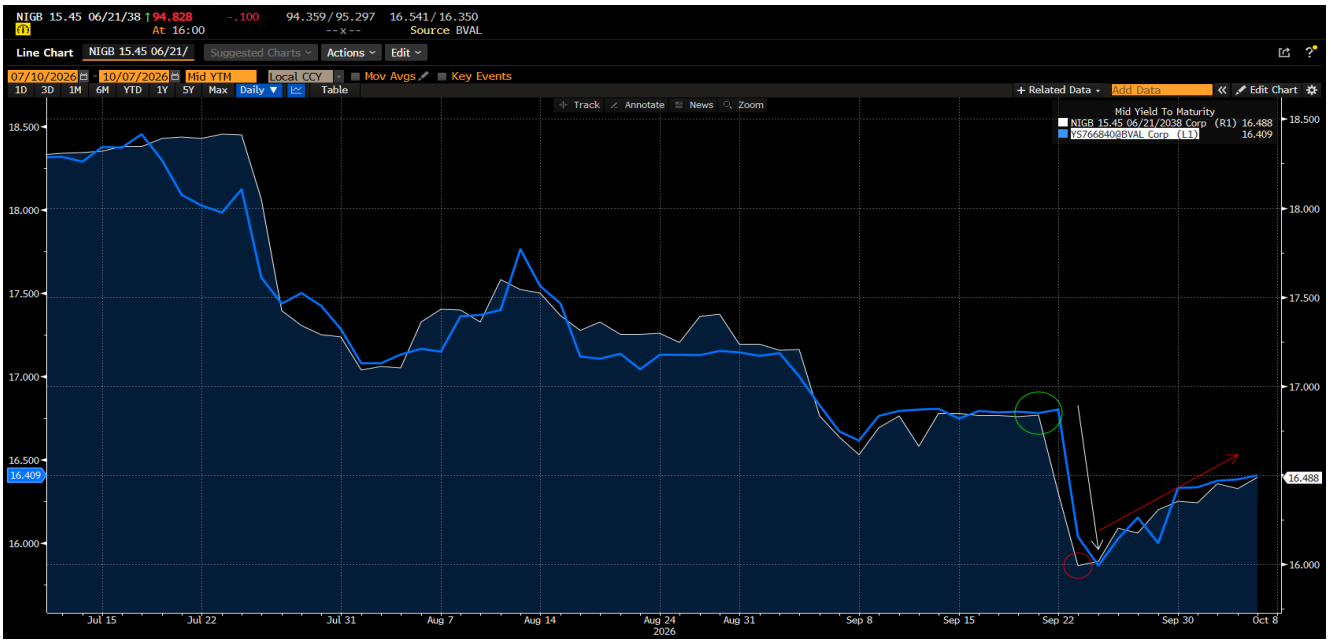
Still, 350bps is 350bps.

The market did what you would expect.

In the secondary bond market, yields also rallied roughly 50bps into the lower 16% area, treasury bill stop rates collapsed at the following auction, with the 364-day bill falling by 73bps to 15.89% with subscriptions exceeding ₦4 trillion. If you were long going into that meeting, I told you already. Start checking Mercedes Benz prices.

Well...

I hope you did not pay the deposit, because barely two weeks later, yields started climbing again and we are almost back to levels we were trading before the MPC decision.



Source: Comercio Partners/Bloomberg

Part of this is simply profit-taking. The rally after the MPC was fast, very fast, and anyone who bought bonds ahead of the meeting suddenly had 40 to 50bps of gains sitting on the table. At some point, somebody has to collect. You cannot eat unrealized P&L.

Where is the Money?

For Eurobonds, I would be careful chasing the recent weakness aggressively while the U.S. 10-year remains above 5%. The selloff has created better entry points, but the direction of U.S. yields remains the bigger question. However, at these yield levels, I would also be cautious about getting too comfortable on the short side. One softer inflation print or a meaningful drop in oil and buyers could return very quickly.

For local fixed income, I still think the medium-term direction is toward lower yields. Inflation has been moderating, the MPR has been reset lower and demand for fixed-income assets remains extremely strong. But the market probably got ahead of itself immediately after the MPC. Profit-taking, funding requirements and competition from OMO means the journey lower will not be a straight line.

Maybe that is the real lesson from Lagos Life.

Everybody can be a billionaire.

Until somebody remembers that money is supposed to have a price.

Till next time.

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