

# Daily Market Update

...A daily publication of Treasury Unit of Access Bank Plc.

Wednesday, 20 April 2022

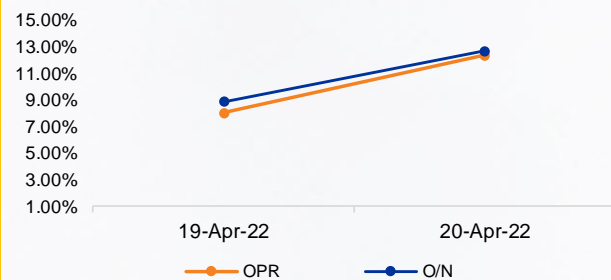
## Money Market

System liquidity opened the day with a balance of ₦165.84bn as most Banks were seen to have drawdown from the CBN window the previous day to cover their obligations.

Consequently, the OPR and Overnight rates increased by 400bps from the previous day level to close at 12.33% and 12.67% as Banks source funds to unwind their positions from the CBN window.

We expect the rates to hover around these levels tomorrow as no significant funding is expected to occur.

### Money Market Rate Movement



## Foreign Exchange

Rates at the Investors' & Exporters' window depreciated by 133kobo to close at \$/₦418.33 as demand continue to outweigh supply of funds. Also, CBN intervened in the market today by providing funds for Foreign Portfolio Investors.

The NAFEX rate gained by 13kobo to close at \$/₦416.75 during today's trading session and we anticipate that rates will trade at similar levels tomorrow.

### FX Rates

	Current	Previous	%Δ
I&E Closing	418.33	417.00	0.32
NAFEX	416.75	416.88	(0.03)

## Treasury Bills

The Treasury Bills secondary market opened on an active note with mixed sentiment witnessed across the curve. The trend was sustained throughout the trading session with trades consummated particularly at the short end of the OMO and NTB curves.

Consequently, closing rates declined by an average of 3 bps from opening levels.

We expect the market to trade with some bearish sentiments amid the possible OMO Auction tomorrow.

### Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
28-Apr-22	2.81	31-May-22	3.05
09-Jun-22	3.04	16-Aug-22	3.25
11-Aug-22	3.34	04-Oct-22	3.54
13-Oct-22	3.58	14-Feb-23	4.33

## Bonds

Today, the FGN bond continued to trade on a bearish note amid the sustained low system liquidity and wide bid/ask spread (at least 25bps). Towards the close of the trading session, we witnessed mild activity on some bonds with the 2036 and 2042 securities taking the center stage. The bonds were offered circa 12.26% and 12.93% respectively. By and large, just a few trades were consummated across the curve. Average yields increased by 2bps across the benchmark bonds.

We expect similar sentiment to persist tomorrow due to increased appetite for high yielding instruments by local investors.

### FGN Bond Yields

	Current (%)	Previous (%)	%Δ
12.75 27-APR-2023	4.99	5.01	(0.40)
13.53 23-MAR-2025	9.12	9.01	1.22
16.2884 17-MAR-2027	10.89	10.73	1.49
13.98 23-FEB-2028	11.05	10.98	0.64
12.40 18-MAR-2036	12.30	12.30	0.00
16.2499 18-APR-2037	12.25	12.25	0.00
12.98 27-MAR-2050	12.84	12.84	0.00

### Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	11.50	11.50
Inflation y/y (%)	15.92	15.70
Foreign Reserves (Gross \$'Bn )	39.78	39.74

### Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.3057	1M	0.62471	WTI	↓ 101.86
EUR/USD	1.0846	3M	1.09829	BRENT	↓ 106.58
USD/JPY	127.81	6M	1.60714	GOLD	↓ 1,953.17
USD/CHF	0.9487	12M	2.30257	SILVER	↓ 25.14

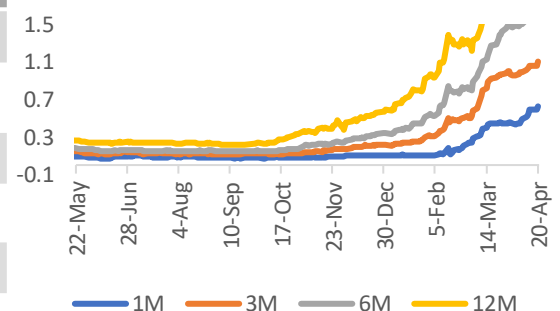
### Auction Results

OMO AUCTION – March 31, 2022				PMA AUCTION – April 13, 2022		
Tenor/Maturity	110-Day	194-Day	362-Day	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	10/49.90	10/54.80	30/227.97	2.19/11.88	6.95/20.91	132.12/227.57
Total Allotment (₦'Bn)	10.00	10.00	30.00	4.51	10.56	143.97
Stop Rate(%)	7.00	8.50	10.10	1.74	3.00	4.60

### Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	7.33	7.06	95.500	96.500
ACCESS 9.125% PERP	11.05	10.62	93.000	94.500
ECOBANK 9.5% 2024	7.04	6.51	104.500	105.500
UBA 6.75% 2026	7.80	7.53	96.000	97.000
GHANA 7.625% MAY 2029	16.34	16.00	67.375	68.375
NIGERIA 7.875% 2032	9.42	9.25	90.250	91.250

### USD LIBOR Movement





## DOMESTIC NEWS

### IMF WARNS NIGERIA AND OTHER EMERGING ECONOMIES OF “DOOM LOOP”

The Washington based lender, International Monetary Fund, has raised concerns about a potential “doom loop” for Nigeria and other emerging economies. This was disclosed in a recently released IMF report, titled “Emerging-Market Banks’ Government Debt Holdings Pose Financial Stability Risks”. Nigeria’s bank credit to the government surged to N14.9 trillion as of February 2022, an uptick from the N14.2 recorded in January 2022. As a result of the pandemic, emerging-market banks now hold unprecedented levels of government debt, raising the risk that public-sector financial pressures would jeopardize financial stability.

IMF stated that there is a reason to worry about this nexus between banks and governments. “Large holdings of sovereign debt expose banks to losses if government finances come under pressure and the market value of government debt declines,” it stated. The Bank stated that a crisis with the credit to the government could force banks, especially those with less capital “to curtail lending to companies and households, weighing on economic activity.” The Bank added that “The sovereign-bank nexus could lead to a self-reinforcing adverse feedback loop that ultimately could force the government into default. There is a name for that, too—the “doom loop.” It happened in Russia in 1998 and in Argentina in 2001-02.”

## GLOBAL NEWS

### RUSSIA RULED IN POTENTIAL DEFAULT OVER RUBLE PAYMENT ON DEBT

Russia’s payment of rubles on two dollar bonds was ruled a potential default by a derivatives panel, bringing holders of insurance contracts on the debt closer to a payout. The Credit Derivatives Determinations Committee said Wednesday that a “Potential Failure-to-Pay” event occurred for credit-default swaps when Russia paid rubles after foreign banks declined to process U.S. currency transfers.

The group, which includes Goldman Sachs Group Inc., Barclays Plc and JPMorgan Chase & Co., said the potential failure happened on April 4. The nation could still avert a default if it pays bondholders in dollars before a 30-day grace period ends on May 4. The payment issue is just one example of the fallout from the sanctions imposed on the country because of its invasion of Ukraine. The extensive restrictions have cut it off from the financial system and complicated transactions that were previously executed smoothly and with little attention. That means for now, Russia is on the brink of its first default on external debt in more than a century. The clock is ticking on the grace period before the sovereign is likely to be officially declared in default. Holders of the swaps can then start the process of getting paid on contracts covering about \$40 billion of debt.

**Sources:** FMDQ, Access Bank Treasury Team, Bloomberg, CBN, Leadership, This Day, CNN, Businessday, Reuters.

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# DIVERSIFY YOUR PORTFOLIO WITH EUROBONDS

Eurobonds are international bonds that are denominated in currencies not native to the country where they are issued. Most Eurobonds issued are in USD.

## Some benefits of investing in Eurobonds include:

- Higher yield on investments in foreign currency
- Capital preservation
- Hedging against foreign exchange fluctuations."

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