

Daily Market Update

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

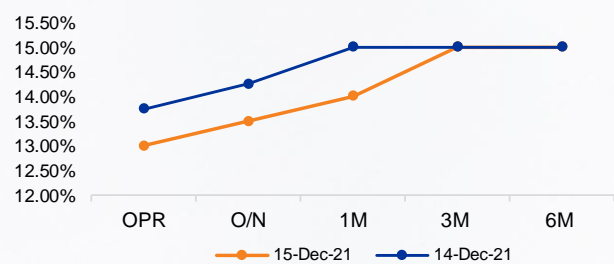
Wednesday, 15 December 2021

Money Market

System liquidity opened with a credit balance of ₦97bn (₦57bn uptick from previous day). Consequently, Open Repo and Overnight rates declined by an average of 75bps to close the day at 13.00% and 13.50% respectively.

We expect rates to hover around similar levels tomorrow notwithstanding NTB Auction debit and possible OMO Auction

Money Market Rate Movement



Foreign Exchange

During today's trading session, the apex bank intervened at the Investors and Exporters' window by selling FX to Foreign Portfolio Investors. Consequently, the Naira strengthened against the Greenback by 55 kobo to close at \$/ ₦414.25.

Also, the NAFEX appreciated by 28 kobo to close at \$/ ₦414.27.

We expect rates to be relatively stable this week.

FX Rates

	Current	Previous	%Δ
Indicative I&E Open	413.87	414.03	(0.04)
I&E Closing	414.25	414.80	(0.13)
NAFEX	414.27	414.55	(0.07)

Treasury Bills

The secondary market for Treasury Bills was rather quiet as market players focused their attention on the DMO's NTB auction. Despite this, there was still some demand towards the medium and long ends of the curve.

A total of ₦6bn was offered and sold at the auction, with demand skewed toward the new 1-year paper. The 91-day maturity's stop rate fell slightly to 2.49%, while the 182-day maturity's stop rate remained at 3.45%. On the 364-day maturity, the stop rate fell 34bps to close at 5.00%.

We expect the CBN to conduct an OMO auction tomorrow, given the OMO maturity of ₦40bn earlier this week.

Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
13-Jan-22	3.69	28-Dec-21	5.50
10-Mar-22	2.98	01-Mar-22	5.28
9-Jun-22	3.67	15-Mar-22	5.43
11-Aug-22	5.36	16-Aug-22	5.33
13-Oct-22	5.00	04-Oct-22	5.30

BONDS

As the NTB and Monthly Bond auctions took center stage, the FGN Bond market was relatively calm. Improved offers were seen across the board, with little bids to match. The focus was on the shorter end of the curve (2023 & 2024 bonds), which were trading at low rates of 7% & 9%, respectively. Due to the market's inactivity, yields remained unchanged from their opening levels.

The bond auction was oversubscribed (₦132.61bn), with the medium-term on-the-run bond accounting for 81%. The DMO sold the entire amount offered (₦100bn) over the 2026 & 2037 papers, including a ₦1.20bn allocation for non-competitive bids on the shorter maturity. The 2026 and 2037 bonds' stop rates closed at 11.65% & 13.10% (↑15bps), respectively.

We expect mixed sentiment tomorrow as auction winners try to profit from their position.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
12.75 27-APR-2023	7.64	7.65	(0.01)
13.53 23-MAR-2025	10.58	10.58	0.00
16.2884 17-MAR-2027	12.22	12.22	0.00
13.98 23-FEB-2028	12.44	12.44	0.00
12.40 18-MAR-2036	12.96	12.96	0.00
16.2499 18-APR-2037	13.06	12.85	0.21
12.98 27-MAR-2050	13.17	13.17	0.00

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	11.50	11.50
Inflation y/y (%)	15.40	15.99
Foreign Reserves (Gross \$'Bn)	40.73	40.89

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.3220	1M	0.10750	WTI	70.08
EUR/USD	1.1260	3M	0.21088	BRENT	73.17
USD/JPY	113.89	6M	0.29113	GOLD	1766.85
USD/CHF	0.9269	12M	0.49788	SILVER	21.547

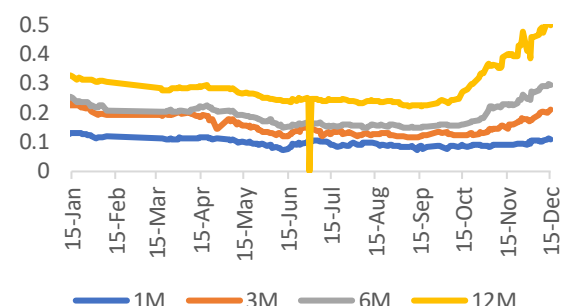
Auction Results

	NTB AUCTION – December 15, 2021			BOND AUCTION – December 15, 2021	
Tenor/Maturity	91-day	182-day	364-day	12 ½ 01/22/26	16.25 04/18/37
Offer / Subscription (₦'Bn)	0.96/1.74	1.10/2.36	3.80/63.33	50.00/25.75	50.00/106.86
Total Allotment (₦'Bn)	0.96	1.10	3.80	15.38	84.62
Stop Rate(%)	2.49	3.45	5.00	11.65	13.10

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	6.21	6.03	99.625	100.375
ACCESS 9.125% PERP	9.41	9.33	97.775	98.500
ZENITH 7.375% 2022	5.10	2.89	101.000	102.000
ECOBANK 9.5% 2024	5.73	5.29	108.125	109.125
NIGERIA 7.875% 2032	8.20	8.09	97.750	98.500
GHANA 7.625% MAY 2029	11.32	11.07	83.50	84.50

USD LIBOR Movement





DOMESTIC NEWS

NIGERIAN INFLATION AT 12-MONTH LOW EASES PRESSURE ON RATES

Nigerian inflation slowed to a 12-month low in November, easing pressure on the central bank to increase borrowing costs as the spread of the omicron variant may crimp economic growth.

Consumer prices rose 15.4% in November from a year earlier, compared with 15.99% in the previous month, Statistician-General Simon Harry told reporters today. That's the lowest level since November 2020. The drop in the rate was due to food-price growth slowing to 17.2%, compared with 18.3% in October.

While inflation has been above the 9% ceiling of the central bank's target band for more than six years, it forecasts price growth to continue to slow after peaking in March. The bank said last month it expects a bumper harvest and improving security in northern Nigeria, where an Islamist insurgency has been raging for more than a decade, to ease disruptions to food supply. However, upward price pressures from holiday spending may cause a blip in December.

GLOBAL NEWS

RECORD \$226 TRILLION GLOBAL DEBT AT RISK AS RATES RISE, IMF SAYS

Global debt surged to a record \$226 trillion last year, raising concerns about its sustainability as interest rates rise, the International Monetary Fund said.

Faster-than-expected interest rate hikes could put pressure on heavily indebted nations and force governments and companies to cut back on debt and spending, hurting economic growth, IMF officials said in a report Wednesday.

Global debt climbed by 28 percentage points to 256% of gross domestic product in 2020, the largest one-year surge since World War II, they said, citing figures from the fund's latest Global Debt Database.

As interest rates rise, fiscal policy is typically adjusted as governments spend more on servicing debt and cut back on expenditure in order to keep deficits under control. "The risks will be magnified if global interest rates rise faster than expected and growth falters," the IMF officials, led by Vitor Gaspar, wrote. "If the public and private sectors are forced to deleverage simultaneously, growth prospects will suffer."

Sources: FMDQ, Access Bank Treasury Team, Reuters, Bloomberg, BusinessDay

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