

Daily Market Update

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

Wednesday, 02 February 2022

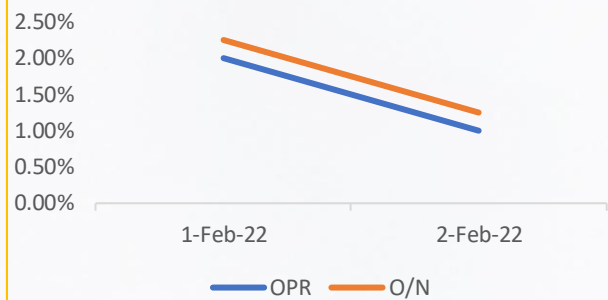
Money Market

System liquidity opened the day with a credit balance N468bn, and this was because of the various CBN intervention to state governments.

Consequently, the Open repo and Overnight rates dipped by 100bps to close the day at 1.00% and 1.25% as no significant funding activity occurred.

We expect the rates to remain at this level tomorrow despite Banks funding for the bi-weekly retail SMIS auction.

Money Market Rate Movement



Foreign Exchange

The NAFEX gained 21Kobo to the Dollar to close at \$/N416.69 today.

The demand for funds in the Investors & Exporters' window remain at high levels due to the limited supply of Dollars. The Apex bank intervened in the market with sales to FPIs, however, the Naira depreciated by 50Kobo to close at \$/N416.25

We expect rates to close at similar levels tomorrow barring any significant market activity.

FX Rates

	Current	Previous	%Δ
I&E Closing	416.25	415.75	0.12
NAFEX	415.69	415.90	(0.05)

Treasury Bills

The Treasury Bills secondary market opened on a rather quiet note with slightly bullish sentiment observed across the NTB and OMO curve. This trend persisted for most of the trading day with only a handful of trades consummated at the end of the trading session. Consequently, closing rates remained unchanged from opening levels.

We expect the CBN to conduct an OMO auction tomorrow, given the OMO maturity of cN102bn earlier this week.

Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
10-Mar-22	2.98	01-Mar-22	5.40
09-Jun-22	3.67	16-Aug-22	5.73
11-Aug-22	5.36	04-Oct-22	5.50
13-Oct-22	5.00		

Bonds

The FGN bond market opened on a quiet note today. As market progressed, we witnessed a bearish trend on the 2026 papers as most counterparties remained on the right-hand side of the quote. Offers for the 4-Year reopening inched up slightly during the day by 5bps as most trades were consummated at 11.25% levels. There was a bit of demand on the shorter end of the curve but just a few offers were able to match the bids. Activities on the long end of the curve remained muted with firm offers on the 20-Yr paper quoted at 13%. By close of business, rates on the traded instrument increased by an average 3bps.

We anticipate yields to hover around these levels as investors continue to trade cautiously in the market.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
12.75 27-APR-2023	6.87	6.88	(0.15)
13.53 23-MAR-2025	10.12	9.99	1.30
16.2884 17-MAR-2027	11.64	11.64	0.00
13.98 23-FEB-2028	11.78	11.78	0.00
12.40 18-MAR-2036	12.73	12.78	(0.39)
16.2499 18-APR-2037	12.79	12.81	(0.16)
12.98 27-MAR-2050	12.97	12.98	(0.08)

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	11.50	11.50
Inflation y/y (%)	15.63	15.40
Foreign Reserves (Gross \$'Bn)	40.01	40.04

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.3567	1M	0.10686	WTI	↑ 87.54
EUR/USD	1.1299	3M	0.30886	BRENT	↑ 88.74
USD/JPY	114.38	6M	0.54400	GOLD	↑ 1808.67
USD/CHF	0.9187	12M	0.96229	SILVER	↑ 22.75

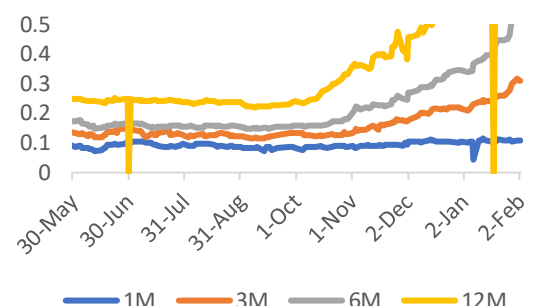
Auction Results

Tenor/Maturity	NTB AUCTION – January 26, 2022			OMO AUCTION – January 27, 2022		
	91-day	182-day	364-day	96-day	180-day	362-day
Offer / Subscription (₦'Bn)	2.68/12.69	3.54/13.99	123.11/448.95	10/50.30	10/69.54	20/157.40
Total Allotment (₦'Bn)	2.68	3.54	217.53	10	10	20
Stop Rate(%)	2.48	3.30	5.399	7.00	8.50	10.10

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	6.44	6.25	98.750	99.500
ACCESS 9.125% PERP	9.69	9.62	97.750	98.500
ECOBANK 9.5% 2024	5.48	5.02	108.250	109.250
UBA 6.75% 2026	6.72	6.50	100.125	101.000
GHANA 7.625% MAY 2029	12.30	12.03	80.000	81.000
NIGERIA 7.875% 2032	8.25	8.13	97.500	98.250

USD LIBOR Movement





DOMESTIC NEWS

FIRS SAYS INCOME TAX APPLIES TO INCOME DERIVED BY COMPANIES FROM BONDS AND SHORT-TERM SECURITIES

Federal Inland Revenue Service (FIRS) announced that income tax applies to income derived by companies from bonds and short-term securities effective from 2nd January 2022. This was disclosed by Muhammad Nami, Executive Chairman, Federal Inland Revenue Service in a document titled, "Public Notice On Payment Of Income Tax On Profit From Bonds And Short-Term Government Securities."

It would be recalled that in 2012, the federal government exempted bonds and short-term government securities from income tax for ten years which recently expired on January 1, 2022. The circular reads "The Federal Government by an Order dated 2nd January 2012 exempted bonds and short-term Government Securities from income tax for 10 years. The exemption expired on 1st January 2022, except for Bonds Issued by Federal Government."

The FIRS notified the public that the tax applied to short and long term securities. "The taxpaying public is hereby invited to note that income tax applies to income derived by companies from bonds and short-term securities effective from 2nd January 2022, except for Bonds Issued by Federal Government," it said.

GLOBAL NEWS

U.S. CUTS QUARTERLY LONG-TERM DEBT SALES AS SPENDING SLOWS

The U.S. Treasury trimmed its quarterly sale of longer-term debt for a second straight time, reflecting diminishing borrowing needs after a record ramp-up in debt to fund pandemic-relief spending. The Treasury Department said in a statement Wednesday that it will sell \$110 billion of long-term securities at auctions next week -- down \$10 billion from November and in line with many dealers' forecasts. It's the first back-to-back reduction since 2015, after the unprecedented sizes of last year.

Decisions for future refunding may be more challenging, with the Federal Reserve signaling it will be reducing its holdings of Treasuries -- forcing the department to sell more debt to the public. Fed Chair Jerome Powell said last month decisions on the bond portfolio are pending in upcoming policy meetings.

Sources: FMDQ, Access Bank Treasury Team, Bloomberg, Nairametrics

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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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