

# Daily Market Update

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

Tuesday, 05 July 2022

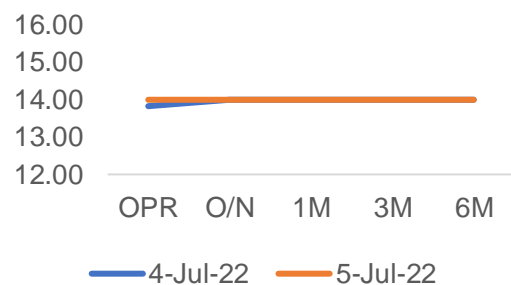
## Money Market

Market liquidity opened the day with a balance of ₦131b. However, some participants were seen to have visited the CBN repo window to the tune of ₦183bn.

As a result, both OPR and Overnight rates increased by 17bps from the previous days level to close the day at 14.00%, as Banks continue to fund their obligations

We expect the rates to hover around this level tomorrow barring any significant funding activity.

### Money Market Rate Movement



## Foreign Exchange

The NAFEX rate depreciated by 394kobo to close at \$/₦425.44

The illiquidity in the Investors' and Exporters' market persisted in today's trading session as only a handful of customers' demands were met. Consequently, rates at the IEFX window weakened by ₦4.25 to close at \$/₦430.

We expect rates to trade at similar levels tomorrow.

### FX Rates

	Current	Previous	%Δ
I&E Closing	430.00	425.75	0.01
NAFEX	425.44	421.50	0.01

## Treasury Bills

Despite the OMO maturity of ₦20.00bn into the system today, the Treasury Bills secondary market was predominantly bearish on select maturities across the short to the mid end of curve. This trend was sustained throughout the trading session with rates seen as high as 9.15% on the July and August Special bills. Consequently, closing rates inched up by an average of 45bps from opening levels.

We expect the bearish sentiment to persist tomorrow as market participant continue to provide liquidity to fund their obligations.

### Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
8-Sep-22	9.00	16-Aug-22	8.00
13-Oct-22	6.25	04-Oct-22	5.11
26-Jan-23	5.65	14-Feb-23	5.10
27-Apr-23	4.90	7-Mar-23	5.10

## Bond

The FGN Bond market opened on a quiet note as participants maintained a cautious trading approach. As trading progressed, we witnessed elevated bids across the curve due to the sudden rate hike observed in the secondary market for bills trading while offers remained stable. The supply of papers across the curve exceeded demand in the market, however, minimal trades were consummated due to the wide bid/offer spread. Yields inched up marginally by 2bps across the benchmark curves. The DMO released the Q3 Bond calendar where they set out to offer 720bn across the 2025, 2032 and 2042 maturities.

We anticipate the bearish nature to be sustained in the market given the thin level of liquidity in the market.

### FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	8.16	8.07	0.01
13.53 23-MAR-2025	10.05	10.05	0.00
16.288 17-MAR-2027	10.72	10.73	(0.00)
13.98 23-FEB-2028	10.88	10.83	0.01
12.40 18-MAR-2036	12.45	12.40	0.00
16.2499 18-APR-2037	12.53	12.46	0.01
12.98 27-MAR-2050	12.98	13.15	(0.01)

### Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	13.00	11.50
Inflation y/y (%)	17.71	16.82
Foreign Reserves (Gross \$'Bn )	39.25	39.17

### Global Currency, Fixings and Commodities

Global Currencies		SOFR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.1907	1M	1.73	WTI	↓ 100.73
EUR/USD	1.0247	3M	2.11	BRENT	↓ 104.73
USD/JPY	135.84	6M	2.56	GOLD	↓ 1768.30
USD/CHF	0.9693	12M	2.91	SILVER	↓ 19.095

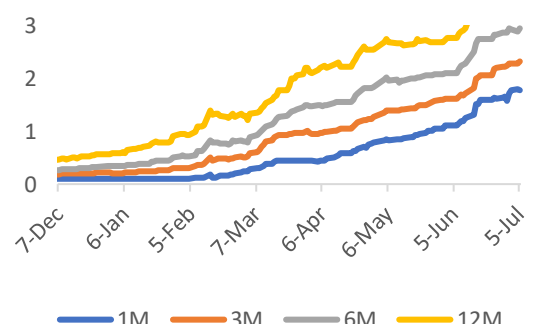
### Auction Results

BOND AUCTION – June 20, 2022				NTB AUCTION – JUNE 29, 2022		
Tenor/Maturity	MAR 2025	APR 2032	JAN 2042	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	75.00/132.60	75.00/84.32	75.00/335.44	13.88/13.13	2.16/17.36	158.04/297.96
Total Allotment (₦'Bn)	79.59	39.91	106.62	12.28	17.16	168.21
Stop Rate(%)	10.10	12.5	13.15	2.40	3.79	6.07

### Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	12.36	11.65	80.00	82.00
ACCESS 9.125% PERP	15.09	14.39	81.00	83.00
ECOBANK 9.5% 2024	9.56	8.64	99.88	101.34
UBA 6.75% 2026	10.78	10.14	86.25	88.25
GHANA 7.625% MAY 2029	20.15	19.30	58.25	60.25
NIGERIA 7.875% 2032	13.31	13.07	71.00	72.00

### USD LIBOR Movement





## DOMESTIC NEWS

### FX PRESSURE TO CONTINUE AS NIGERIA'S RESERVES DECLINE BY \$1.37BN IN 6 MONTHS

With the increasing price of crude oil coupled with weak macroeconomic environment, financial experts say they expect the FX liquidity conditions to remain pressured as foreign portfolio inflows remain low and accretion to the FX reserves from crude oil receipts remain weak. According to data obtained from Central Bank of Nigeria (CBN)'s website, Nigeria's external reserves depreciated by \$1.37 billion or 3.37 per cent in the first six months of 2022 to \$39.16 billion as of June 30 from \$40.52 billion it closed in 2021.

The decline in external reserves is coming on the backdrop of a steady increase in global oil prices amid fears of a global economic shock from Russia's invasion of Ukraine. According to the CBN, daily crude oil price in six months of 2022 appreciated by 70.3 per cent or \$53.62 per barrel to \$129.87 from \$76.25 per barrel reported on December 31, 2021. Reacting to this development, analysts noted that the persistent inflationary pressures on high food and energy prices and CBN's increasing intervention in the FX market is also a contributing factor.

## GLOBAL NEWS

### U.S. Stocks Sink as Recession Fears Return After Holiday Break

U.S. stocks are sinking on Tuesday after the long holiday weekend as investors renewed their fears about a looming recession. At 10:29 AM ET the Dow Jones Industrial Average was down 631 points, or 2%, while the S&P 500 was down 1.8% and the NASDAQ Composite was down 1%.

This is a big week for economic data, including the monthly nonfarm employment report from the government on Friday. Before that comes out, investors will get to assess the minutes of the Federal Reserve's most recent policy meeting and parse any hints of what actions are to come as the central bank tries to tame inflation. Analysts have been sending mixed signals about the outlook. On Tuesday, Credit Suisse cut its S&P 500 forecast for the year to 4,300 from 4,900 though said a recession will likely be avoided. The S&P is trading around 3,756 currently. The pessimism is weighing on sectors that normally benefit from economic growth, such as banking and travel. The KBW Bank ETF, which includes many of the biggest U.S. banks, was down 2.8%, while the U.S. Global Jets ETF (NYSE:JETS) was down 3.2%. Cruise line Carnival Corporation (NYSE:CCL) was down 4.5%, while Walmart Inc (NYSE:WMT) dipped 0.5%. Oil sold off sharply. Crude Oil WTI Futures was down 5%, to around \$103 a barrel and Brent Oil Futures was down 5.6% to \$107 a barrel. Gold Futures fell 0.6%, to \$1,791.

**Sources:** FMDQ, Access Bank Treasury Team, Nairametrics, CBN, Reuters, CNBC.

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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."

More information:

IP: 7007

Email: [FixedIncome@ACCESSBANKPLC.com](mailto:FixedIncome@ACCESSBANKPLC.com)



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