

# Daily Market Update

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

Friday, 15 July 2022

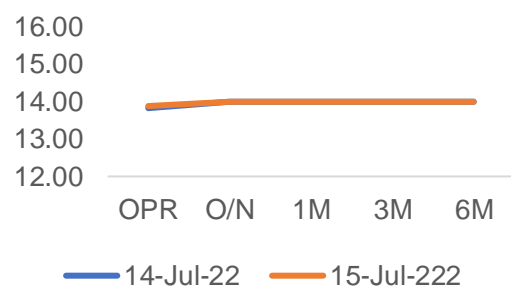
## Money Market

Market liquidity opened the day with a repo balance of ₦276.9bn as Banks accessed the CBN window to fund their obligations.

Accordingly, the OPR and Overnight rates remained stable to close the day at 13.88% and 14.00%, respectively.

We expect the rates to hover around this level next week as Banks anticipate the bond auction on Monday.

### Money Market Rate Movement



## Foreign Exchange

Closing the week, the CBN released the bi-weekly retail SMIS auction result as anticipated.

The NAFEX recovered from the previous decline to gain ₦4.30 day on day closing at \$/₦422.20.

The paucity of funds at the IEFX market persisted throughout the trading session with most market participants at the left-hand side of the quote. At close of business, the rate declined further by ₦5.70 to close at \$/₦ 430.33.

### FX Rates

	Current	Previous	%Δ
I&E Closing	430.33	424.63	1.34
NAFEX	422.20	426.50	(1.01)

We expect rates to trade at these levels in the coming week.

## Treasury Bills

Closing the week, the Treasury Bills market opened on a quiet note as market participants trade cautiously. As the trading day progressed, we observed some mixed sentiments across the mid to the long end of the OMO and NTB curves with minimal trades consummated by market close.

Consequently, closing rates remained largely unchanged from opening levels.

We expect similar trend to persist opening the new week as market players focus their attention on the bond auction.

### Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
8-Sep-22	9.75	16-Aug-22	10.00
13-Oct-22	9.00	04-Oct-22	5.11
26-Jan-23	7.50	14-Feb-23	8.02
27-Apr-23	4.90	7-Mar-23	5.10

## Bond

The FGN bond market traded on a quiet note today due to the thin liquidity, wide bid/ask spreads, and the anticipation of the release of the July Bond auction circular. Moreover, yields remained at elevated levels with bids for the 2042 paper marked at 13.35% whilst offers touched 13.25% levels. Overall, the bearish undertone was dominant with improved offers across board up until the close of market. Consequently, yields inched up marginally by an average of 4bps from opening levels.

We expect a more active Bonds market next week due to the July Bond auction where the DMO is set to offer ₦75bn across the 2025, 2032 and 2042 bonds. This sentiment is buttressed by the likely improvement in system liquidity spurred by the expected coupon payments (c.₦177.23) from the 2026, 2034 and 2042 bonds.

### FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	9.03	9.57	(5.64)
13.53 23-MAR-2025	10.02	10.02	0.00
16.288 17-MAR-2027	10.70	10.70	0.00
13.98 23-FEB-2028	11.40	10.87	4.88
12.40 18-MAR-2036	12.45	12.45	0.00
16.2499 18-APR-2037	12.53	12.53	0.00
12.98 27-MAR-2050	13.15	13.15	0.00

### Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	13.00	11.50
Inflation y/y (%)	18.60	17.71
Foreign Reserves (Gross \$'Bn )	39.42	39.35

### Global Currency, Fixings and Commodities

Global Currencies		SOFR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.1833	1M	2.15	WTI	↑ 97.81
EUR/USD	1.0068	3M	2.74	BRENT	↑ 101.45
USD/JPY	138.72	6M	3.38	GOLD	↓ 1,706.80
USD/CHF	0.9776	12M	3.98	SILVER	↑ 18.435

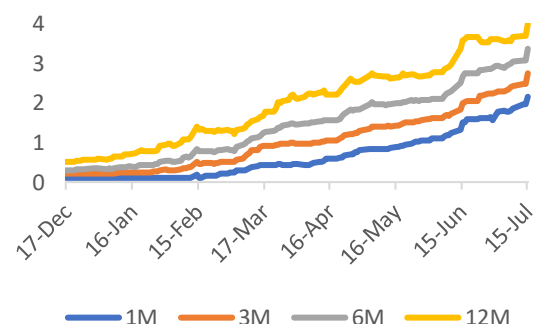
### Auction Results

BOND AUCTION – June 20, 2022				NTB AUCTION – JULY 13, 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	4.51/4.61	1.46/1.94	137.30/138.91
Total Allotment (₦'Bn)	79.59	39.91	106.62	4.27	1.49	137.50
Stop Rate(%)	10.10	12.5	13.15	2.75	4.00	7.00

### Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	14.47	13.70	74.50	76.50
ACCESS 9.125% PERP	18.63	17.80	72.00	74.00
ECOBANK 9.5% 2024	12.09	10.77	96.00	98.00
UBA 6.75% 2026	10.56	9.93	87.00	89.00
GHANA 7.625% MAY 2029	25.93	24.81	46.75	48.75
NIGERIA 7.875% 2032	15.38	15.10	63.00	64.00

### USD LIBOR Movement





## DOMESTIC NEWS

### DMO: Sustainability of Public Debt Dependent on Significant Revenue Growth

The Debt Management Office (DMO) has stated that going forward, the sustainability of Nigeria's public debt requires that government's revenues are enhanced significantly while continuing to explore more concessional and semi-concessional sources for its borrowing and refinancing needs. This was part of the recommendations of the DMO in its 2021 Debt Sustainability Analysis (DSA) report released on its website yesterday.

Nigeria's total public debt stock comprising the debt obligations of the federal government, states and the Federal Capital Territory (FCT) rose from N39.56 trillion in December 2021, to N41.60 trillion (\$100.07 billion) in the first three months of 2022, raising concerns over the sustainability of the mounting debt stock. The DSA report revealed that despite increased borrowings, total public debt in terms of Debt-to-Gross Domestic Product (GDP) remained at a moderate level, while Debt Service-to-Revenue ratios were high.

According to the DSA, the projected ratios of total public debt to GDP at 26.1 per cent and 25.8 per cent in 2022 and 2023 respectively, were below Nigeria's self-imposed limit of 40 per cent and within the 55 per cent limit recommended by the World Bank and the International Monetary Fund (IMF), as well as the Economic Community of West African States' convergence threshold of 70 per cent.

## GLOBAL NEWS

### OIL RISES ON SAUDI OIL PRODUCTION EXPECTATIONS

Oil prices rose on Friday after a U.S. official told Reuters an immediate Saudi oil output boost is not expected, with further support from indications that the U.S. central bank could raise interest rates less aggressively than anticipated.

Brent crude futures for September delivery rose \$1.77, or 1.79%, to \$100.87 a barrel by 1206 GMT while WTI crude rose \$1.32, or 1.38%, to \$97.10. The U.S. Federal Reserve's most hawkish policymakers on Thursday said they favored a rate increase of 75 basis points at its policy meeting this month, not the bigger increase traders had priced in after a report on Wednesday showed inflation was accelerating.

The interest rate uncertainty and weak economic data led to Brent and WTI shedding more than \$5 on Thursday to below the closing price on Feb. 23, the day before Russia invaded Ukraine, though both contracts clawed back nearly all the losses by the end of the session.

U.S. President Joe Biden is set to land in Jeddah later Friday and had been expected to call for Saudi Arabia to pump more oil, but the United States does not expect Saudi Arabia to immediately boost oil production and is eyeing the outcome of the next OPEC+ meeting on Aug. 3, a U.S. official told Reuters on Friday.

**Sources:** FMDQ, Access Bank Treasury Team, CBN, Bloomberg, Thisday, Investing.com

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## **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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