

Daily Market Update

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

Tuesday, 14 June 2022

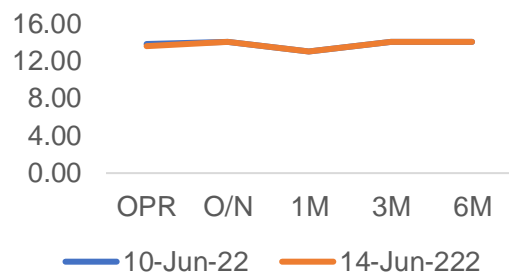
Money Market

System liquidity opened the week with a balance of ₦83bn, a deterioration from the previous week's closing of ₦259bn and this can be attributed to the debit for the Retail SMIS auction by the Apex Bank.

Consequently, the OPR and Overnight rates hovered around the same band to close at 13.50% and 14.00% respectively as Banks funded their obligations.

We expect the rates to remain at the same level tomorrow barring any significant funding activity.

Money Market Rate Movement



Foreign Exchange

During today's trading session, there was no significant improvement in liquidity at the Investors' and Exporters' market, despite the intervention by the APEX bank for Foreign Portfolio Investors', Invisible Transaction and SMEs, as market players bid for funds to meet their FCY obligations. However, the Naira appreciated by ₦0.50 to close at \$/₦420.75.

The NAFEX gained 175 kobo to the Dollar today to close at \$/₦418.25. We expect rates to trend at this levels tomorrow, barring any significant market activity.

FX Rates

	Current	Previous	%Δ
I&E Closing	420.75	421.25	(0.12)%
NAFEX	418.25	420.00	(0.42)%

Treasury Bills

Opening the week, the Treasury Bills secondary market opened on an active note with bearish undertone observed across the OMO and NTB curves given the thin level of system liquidity. This trend was sustained throughout the trading session as market participants exposed offers particularly on the long-dated maturities. Consequently, closing rates inched up by an average of 8bps from opening levels.

We expect the market to trade with similar sentiments tomorrow as market participants shift their attention to the NTB auction scheduled by the DMO.

Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
30-Jun-22	2.14	16-Aug-22	3.20
13-Oct-22	3.95	04-Oct-22	4.39
26-Jan-23	5.04	14-Feb-23	4.50
30-Mar-23	5.66	7-Mar-23	4.83

Bond

The Bond market opened the week on a calm note. However, as market progressed, demand was seen on the short to medium section of the curve with emphasis on the 2028, 2029 and 2034 papers. A few trades were consummated due to scarcity of bonds. Also, activity was seen on the long end of the curve, most especially the 2042 and 2050 maturities. Same Bid/offer yields at 13.14%/13.12% were observed for the two distinct maturities. By and large, rates largely remained stable across the benchmark curve.

We anticipate slight bearish sentiment tomorrow as market participants shift attention to the Nigerian Treasury Bills Auction.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	7.89	7.92	(0.38%)
13.53 23-MAR-2025	10.12	10.14	(0.20%)
16.2884 17-MAR-2027	10.75	10.76	(0.09%)
13.98 23-FEB-2028	10.81	10.77	0.37%
12.40 18-MAR-2036	12.66	12.66	0.00%
16.2499 18-APR-2037	12.75	12.74	0.08%
12.98 27-MAR-2050	13.14	13.11	0.30%

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	13.00	11.50
Inflation y/y (%)	16.82	15.92
Foreign Reserves (Gross \$'Bn)	38.55	38.52

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.1997	1M	1.3240	WTI	122.75
EUR/USD	1.0415	3M	1.8289	BRENT	124.36
USD/JPY	134.99	6M	2.5101	GOLD	1812.10
USD/CHF	1.0029	12M	3.3699	SILVER	20.90

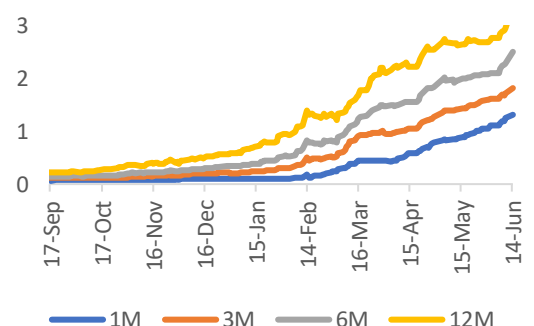
Auction Results

OMO AUCTION – June 02, 2022				NTB AUCTION – JUNE 08, 2022		
Tenor/Maturity	103-Day	180-Day	362-Day	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	10.00/56.79	10.00/69.99	20.00/211.32	2.32/1.02	0.78/6.98	164.10/353.89
Total Allotment (₦'Bn)	10.00	10.00	20.00	0.766	1.93	179.89
Stop Rate(%)	7.00	8.50	10.10	2.50	3.84	6.44

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	10.42	9.93	85.50	87.00
ACCESS 9.125% PERP	13.56	12.90	85.25	87.25
ECOBANK 9.5% 2024	9.49	8.59	100.00	101.50
UBA 6.75% 2026	9.80	9.35	89.25	90.75
GHANA 7.625% MAY 2029	24.41	23.62	49.13	50.63
NIGERIA 7.875% 2032	13.22	12.99	71.25	72.25

USD LIBOR Movement





DOMESTIC NEWS

BANKS ADVISED ON SMALL BUSINESS LENDING, DIVERSIFIED OPERATIONS

As banks' provision for loan losses continue to increase going by the results released by financial institutions on the Nigerian Exchange Limited (NGX), analysts and operators have highlighted the need for banks to increase lending to small and medium enterprises (SMEs) to avoid erosion of revenue. Besides, they also urged banks to diversify into financial advisory services like fund management, and real estate management to enhance profitability. The analysts argued that commercial banks must stop chasing a few big-ticket businesses and focus more on providing loans and advances to small businesses to keep their non-performing loans (NPLs) under check.

According to them, if banks are unable to create more streams of income within the system, the hike in the sector's mandatory Cash Reserve Ratio (CRR) would continue to trigger a rise in NPL ratio, especially for those without a framework to manage risks associated with huge loans. They argued that since these charges constitute a large portion of banks' revenue, failure to devise other means to augment the adjustments would impact negatively on them going forward. Furthermore, the stakeholders argued that the trend could shrink banks' current profit levels, and ultimately hamper equities investors' dividend pay-out.

GLOBAL NEWS

GLOBAL GDP MAY SLUMP TO 5%, SAYS OKONJO-IWEALA, HARPS ON MULTILATERAL TRADE

The Director-General of the World Trade Organization (WTO), Dr. Ngozi Okonjo-Iweala has warned that real global gross domestic product (GDP) might fall to five percent if the world economy decouples into self-contained trading blocs. She pointed out that the world was grappling with uncertainty and crises on multiple fronts. In her opening speech to the WTO's 12th Ministerial Conference (MC12), Okonjo-Iweala stressed that over the next few days members would, "have a chance to show the world that the WTO can step up to the plate." She said striking agreements in Geneva, "will enhance the ability of all members to respond to people's aspirations at home - aspirations for food, for health, for security, for better jobs, higher living standards, and a sustainable environment on land, in the oceans, and in our atmosphere."

Citing WTO economists' estimates of real global GDP lowering by about five per cent if the world economy decouples into self-contained trading blocs, Okonjo-Iweala noted the substantial costs for governments and constituents in a scenario where WTO members are unable to deliver results and where they allow, or even embrace, economic and regulatory fragmentation.

Sources: FMDQ, Access Bank Treasury Team, Bloomberg, CBN, Thisday, The Guardian

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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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