

Daily Market Update

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

Wednesday, 02 March 2022

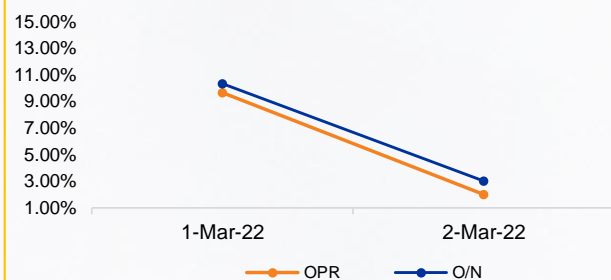
Money Market

System liquidity opened the day with a balance N438bn, and this was because of the FAAC disbursement into the system on Tuesday estimated at N430bn

Consequently, The OPR and O/N rates declined by 760bps to close the day at 2.00% and 3.00% respectively as no significant activity occurred.

We expect the rates to decline further tomorrow despite the anticipated OMO auction as the retail refund is expected to boost the system liquidity.

Money Market Rate Movement



Foreign Exchange

Activities at the IEFX market were mainly on the bid side of quote due to high demand. The CBN intervened by selling funds to FPIs today, consequently rates appreciated by 17 Kobo to close at \$/N416.50. NAFEX appreciated marginally by 7 Kobo to close at \$/N415.70.

We expect rates to remain at these levels tomorrow barring any significant market activity.

FX Rates

	Current	Previous	%Δ
I&E Closing	416.50	416.67	(0.04)
NAFEX	415.70	415.67	0.01

Treasury Bills

The Treasury Bills secondary market traded on a bullish note today as market participants showed bids across the mid to long end of the NTB and OMO curves. This trend persisted for most of the trading day with only a handful of trades consummated by market close. Consequently, closing rates declined by an average of 10bps from opening levels.

Tomorrow, we expect the bullish trend to continue as market players shift attention to the OMO auction the CBN is expected to conduct, given the OMO maturity of ₦70bn earlier in the week.

Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
10-Mar-22	2.87	16-Aug-22	3.60
09-Jun-22	3.24	04-Oct-22	4.08
11-Aug-22	3.50		
13-Oct-22	3.89		

Bonds

The FGN Bond market opened with demand sustained on the shorter end of the curve. The rally was centered around the 2027 and 2028 papers with bids at 10.10 (5bps) and 10.11% (9bps) respectively. In addition, the 4-year paper was offered at 9.75% with only a few trades consummated at this level.

Halfway through the trading session, demand re-surfaced on the 2036 bond with bids at circa 11.85% whilst the 2042 bond was offered at 12.65%. By close of business, a handful of trades were executed with yields dipping by 5bps across the benchmark bonds.

We expect the bond rally to continue tomorrow as market participants continue to seek avenues to maximize yields and deploy excess liquidity in anticipation of CRR adjustment by the end of the week.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
12.75 27-APR-2023	6.52	6.53	(0.15)
13.53 23-MAR-2025	8.30	8.30	0.00
16.2884 17-MAR-2027	10.04	10.45	(4.08)
13.98 23-FEB-2028	10.18	10.45	(2.65)
12.40 18-MAR-2036	12.25	12.25	0.00
16.2499 18-APR-2037	12.17	12.17	0.00
12.98 27-MAR-2050	12.78	12.78	0.00

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	11.50	11.50
Inflation y/y (%)	15.60	15.63
Foreign Reserves (Gross \$'Bn)	39.86	39.84

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.3353	1M	0.23457	WTI	↑ 107.768
EUR/USD	1.1091	3M	0.51086	BRENT	↑ 109.76
USD/JPY	115.62	6M	0.76386	GOLD	↓ 1920.70
USD/CHF	0.9220	12M	1.17671	SILVER	↓ 25.06

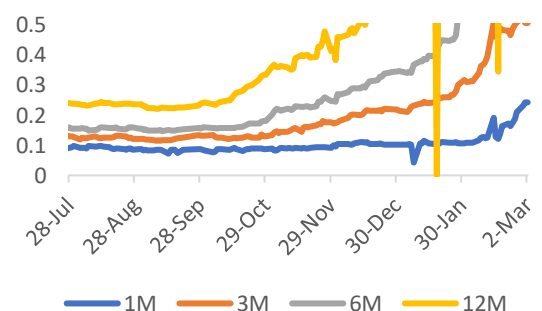
Auction Results

OMO AUCTION – February 24, 2022				NTB AUCTION – February 23, 2022		
Tenor/Maturity	96-day	187-day	362-day	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	15/32.50	15/47.70	70/200.67	2.04/13.26	22.86/14.59	90.38/574.80
Total Allotment (₦'Bn)	15	15	70	5.36	11.03	241.61
Stop Rate(%)	7.00	8.50	10.10	2.24	3.30	4.35

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	7.04	6.77	96.500	97.500
ACCESS 9.125% PERP	10.58	10.30	94.5	95.5
ECOBANK 9.5% 2024	6.06	5.57	106.75	107.570
UBA 6.75% 2026	7.00	6.75	99.000	100.000
GHANA 7.625% MAY 2029	16.19	15.68	67.375	68.875
NIGERIA 7.875% 2032	9.09	8.93	92.125	93.125

USD LIBOR Movement





DOMESTIC NEWS

FG LOSES OUT, NASS AFFIRMS STATES' POWER TO COLLECT VAT

The Federal Government's plan to retain the collection of Value Added Tax (VAT) despite a Federal High Court ruling, hit a brick wall on Tuesday as the National Assembly rejected a proposal seeking to shift the collection of VAT from the concurrent to the exclusive legislative list, effectively leaving the decision to the Supreme Court which is hearing the matter. A Federal High Court had last year ruled that states had the powers to collect VAT. However, the Federal Government opposed the ruling and continued to collect VAT while it projected that it would collect N2.2trn in 2022 through the Federal Inland Revenue Service (FIRS).

The regime of the President, Major-General Muhammadu Buhari (retd.), also incorporated VAT collection in its Finance Act 2021 and included it in its 2022 budget, a move that put the Government on a collision course with the Southern Governors' Forum. Also, the Federal Inland Revenue Service (FIRS) was reported to have lobbied the National Assembly by sending a proposal to the House of Representatives seeking to move VAT collection to the exclusive list. Although the tax agency denied this claim, the National Assembly accepted the proposal and sent it to its constitutional amendment committee.

GLOBAL NEWS

DOLLAR GAINS ON EURO AS UKRAINE CRISES CLOUDS EURO ZONE OUTLOOK

The dollar edged higher against the euro on Wednesday, as investors worried about the impact of an escalating conflict in Ukraine on the euro zone's economic prospects, while commodity-linked currencies strengthened. The Russian ruble extended its recent slide to hit record lows in Moscow trade as stinging Western sanctions over Moscow's invasion of Ukraine pummeled Russia's financial system.

Meanwhile, the U.S. Federal Reserve will move forward with plans to raise interest rates this month to try to tame inflation, even as the outbreak of war in Ukraine has made the outlook "highly uncertain", Fed Chair Jerome Powell said on Wednesday.

Sources: FMDQ, Access Bank Treasury Team, Bloomberg, Reuters, ThisDay, CBN, Tribune

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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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