

Daily Market Update

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

Thursday, 19 May 2022

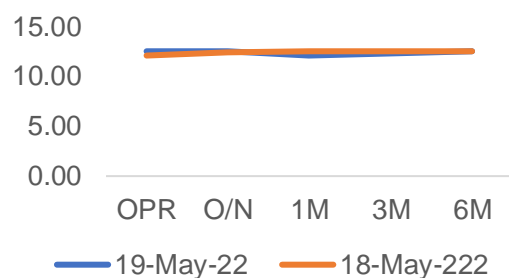
Money Market

Market liquidity opened the day with a Repo balance of ₦320bn as a result of Bond auction debit of ₦378bn.

Most banks funded their obligations through the Repo and Standing Lending Facility window as there's no significant inflow into the system. Consequently, the OPR and Overnight rates increased by 50bps from the previous days level to close at 12.50% respectively.

We expect the rates to hover around these levels tomorrow as no maturity is expected into the system.

Money Market Rate Movement



Foreign Exchange

The NAFEX depreciated slightly by ₦0.22 to close the day at \$/₦417.50

At the IEFX market, the paucity of funds left most of the demand for USD unmet as very few offers were available. Consequently, rates depreciated by ₦1.08 with the exchange rate closing at \$/₦420.33

We expect the CBN to release the results of the last Week's Retail SMIS auction tomorrow and rates to remain relatively stable.

FX Rates

	Current	Previous	%Δ
I&E Closing	420.33	419.25	0.26
NAFEX	417.50	417.28	0.05

Treasury Bills

The Treasury bills Secondary market opened with bearish sentiment as market participants exposed offers particularly across the mid to long end of the OMO and NTB curves. The trend was sustained throughout the trading session. By market close, only a handful of trades were consummated across the curve. Consequently, closing rates inched up by an average of 2 bps from opening levels.

Closing the week, we expect the bearish sentiments to continue given the thin level of system liquidity.

Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
09-Jun-22	3.06	31-May-22	2.70
14-Jul-22	3.01	04-Oct-22	3.82
26-Jan-23	4.32	14-Feb-23	4.31
30-Mar-23	4.67	7-Mar-23	4.83

Bonds

The FGN Bond market opened the day on a bearish note as many market participants continued to stick to the offer side of the quote to take profit on their post-auction positions. The on-the-run bonds were offered at 9.95%, 12.41% and 12.95% for the 2025, 2032 and 2042 re-openings, respectively. In addition, the recently observed demand on the shorter end was sustained with preference for the 2023 bonds with quotes marked circa 5.2%/4.5% levels. Despite the active market, only a few trades were consummated due to the wide bid-ask spreads (10-25bps wide) noted on the short and long-end of the curve. On average, yields remained relatively stable across the benchmark curve.

Tomorrow, we anticipate an active market with bearish undertones as market participants continue to trade cautiously post auction amid tight liquidity.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	7.70	7.71	(0.13)
13.53 23-MAR-2025	9.97	9.98	(0.10)
16.2884 17-MAR-2027	11.13	11.13	0.00
13.98 23-FEB-2028	11.18	11.20	(0.18)
12.40 18-MAR-2036	12.40	12.40	0.00
16.2499 18-APR-2037	12.51	12.24	2.20
12.98 27-MAR-2050	12.86	12.86	0.00

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	11.50	11.50
Inflation y/y (%)	16.82	15.92
Foreign Reserves (Gross \$'Bn)	38.88	38.88

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.2507	1M	0.92729	WTI	↑ 110.53
EUR/USD	1.0589	3M	1.47800	BRENT	↑ 110.62
USD/JPY	127.57	6M	2.03314	GOLD	↑ 1,822.19
USD/CHF	0.9735	12M	2.74100	SILVER	↑ 21.89

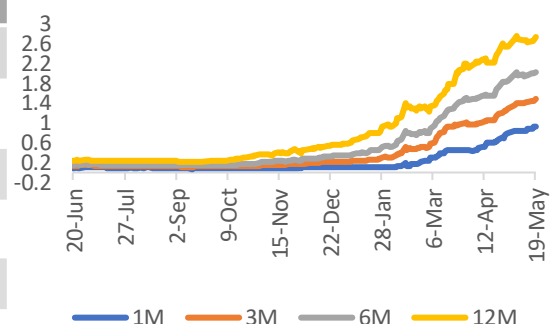
Auction Results

OMO AUCTION – May 12, 2022				NTB AUCTION – May 11, 2022		
Tenor/Maturity	103-Day	180-Day	355-Day	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	5.00/40.90	5.00/47.10	20.00/224.44	1.91/1.37	2.99/8.03	122.56/367.72
Total Allotment (₦'Bn)	5.00	5.00	20.00	1.02	2.83	134.02
Stop Rate(%)	7.00	8.50	10.10	1.74	3.00	4.70

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	9.26	8.81	89.00	90.50
ACCESS 9.125% PERP	12.53	12.07	88.25	89.75
ECOBANK 9.5% 2024	9.90	9.39	101.25	102.75
UBA 6.75% 2026	9.24	8.81	91.00	92.50
GHANA 7.625% MAY 2029	21.73	21.05	54.25	55.75
NIGERIA 7.875% 2032	12.49	12.27	74.38	75.38

USD LIBOR Movement





DOMESTIC NEWS

NIGERIA'S FISCAL, FX WOES SET TO LINGER BEYOND 2022

Despite worsening fiscal and foreign exchange (FX) woes, Nigeria is no closer to restoring its oil production capacity lost to abandoned pipelines, lack of investment and unbridled crude theft, according to senior executives in the industry. BusinessDay learnt that even if the required investment is made today and crude theft curtailed, it could take at least 12 months for the significant capacity restoration to translate to rising crude exports for Nigeria. From a high of about 2 million barrels per day (BPD), Africa's top oil producer has seen output fall to as low as 1.3 million bpd.

Nigeria has been unable to meet its OPEC quota since November last year at a time of rising oil prices and severe revenue and FX woes at home. Analysts as well as industry operators say the fastest place to ramp up production remains the crisis-ridden fields on-shore in the Niger Delta. "I think that there are several producing assets that just require oil theft stopped or reduced substantially. Once that is done, significant capacity restoration can be immediate," said Ayodele Oni, energy lawyer and partner at Bloomfield law firm.

GLOBAL NEWS

RUSSIA TO SEND OIL REJECTED BY EUROPE TO ASIA, OTHER REGIONS, SAYS NOVAK

Russia will send any oil rejected by European countries to Asia and other regions, Deputy Prime Minister Alexander Novak said on Thursday, adding that Europe would have to find substitute supplies that would be more expensive. The European Commission on Wednesday unveiled a 210 billion euro (\$220 billion) plan for Europe to end its reliance on Russian fossil fuels by 2027 and to use the pivot away from Moscow to quicken its transition to green. Europe receives about 4 million barrels per day (bpd) of Russian oil, Novak said, adding that Russia was ready to reroute those supplies leaving Europe with more expensive crude from other origins.

Western sanctions imposed on Russia after its troops marched into Ukraine in February forced several oil buyers to delay or refuse cargoes, which in turn knocked Russian oil production. Novak said Russian oil production was about 1 million bpd lower in April but had increased by 200,000-300,000 bpd in May with more volumes expected to be restored next month. He said Russia's oil exports were gradually recovering and the country would be able to find export markets because its energy resources were competitive.

Sources: FMDQ, Access Bank Treasury Team, Bloomberg, Punch, CBN, 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."

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