

Daily Market Update

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

Friday, 27 May 2022

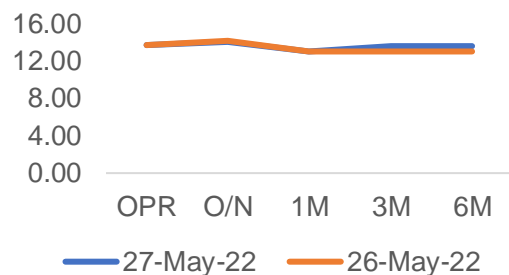
Money Market

System liquidity opened at elevated levels with a balance of ₦224bn coming from ₦58bn the previous day as Banks accessed the CBN lending window to fund their position in anticipation of the Retail SMIS auction by the apex Bank today.

Despite the robust liquidity, the OPR and Overnight rates hovered around the same levels to close the day at 13.67% and 14.00% respectively as Banks continue to fund their obligations.

We anticipate a decline in rates next week as the FAAC disbursement is expected to impact the system.

Money Market Rate Movement



Foreign Exchange

The NAFEX depreciated by ₦0.69 to close the week at \$/₦418.77. The illiquidity in the Investors' and Exporters' market continue to drive rates upwards, as most customer bids were left unmatched by the limited offers. Consequently, the Naira weakened by 62Kobo against the Greenback to close the week at \$/₦419.50

The CBN held its bi-weekly Retail SMIS auction for USD and CNY. We expect rates to remain at similar levels next week

FX Rates

	Current	Previous	%Δ
I&E Closing	419.50	418.88	0.15
NAFEX	418.77	418.08	0.17

Treasury Bills

Closing the week, the Treasury Bills market opened with mixed sentiments as market players continue to trade cautiously. The trend was sustained throughout the trading session with most trades consummated on the newly issued OMO and NTB bills. Despite this, rates remained largely unchanged from opening levels.

We expect the bearish sentiments to open the new week amid the 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

Bond

Closing the week, the market opened on a calm note, however, as the trading day progressed, demand was seen on the short and long end of the curve. The 2025, 2028 and 2042 were the most sought-after papers with bids marked circa 10.30%, 11.40% and 13.30% respectively.

By the close of the trading day, just a few trades were consummated as the spread between bid and offer remained wide apart. On average, yields inched up by 10 basis points across the curve.

Despite the FAAC inflow set to hit the system next week, we expect the bearish sentiment to persist.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	7.63	7.64	(0.10)
13.53 23-MAR-2025	10.10	10.10	0.00
16.2884 17-MAR-2027	10.84	10.85	(0.10)
13.98 23-FEB-2028	11.05	11.05	0.00
12.40 18-MAR-2036	12.75	12.40	2.82
16.2499 18-APR-2037	12.85	12.51	2.72
12.98 27-MAR-2050	13.07	13.07	0.00

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	13.00	11.50
Inflation y/y (%)	16.82	15.92
Foreign Reserves (Gross \$'Bn)	38.57	38.60

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.2607	1M	1.05957	WTI	↑ 114.51
EUR/USD	1.0706	3M	1.57486	BRENT	↑ 118.76
USD/JPY	127.12	6M	2.07571	GOLD	↑ 1,845.46
USD/CHF	0.9578	12M	2.68157	SILVER	↑ 22.08

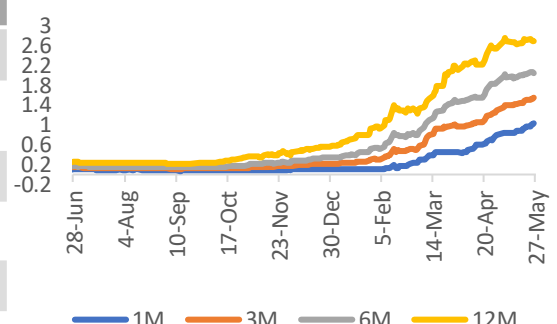
Auction Results

OMO AUCTION – May 26, 2022				NTB AUCTION – May 25, 2022		
Tenor/Maturity	103-Day	180-Day	355-Day	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	5.00/13.19	5.00/11.29	10.00/44.13	5.36/23.84	3.78/2.31	143.88/210.82
Total Allotment (₦'Bn)	5.00	5.00	10.00	3.56	1.25	168.67
Stop Rate(%)	7.00	8.50	10.10	2.50	3.89	6.49

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	9.59	9.12	88.00	89..50
ACCESS 9.125% PERP	13.11	12.63	86.50	88.00
ECOBANK 9.5% 2024	8.75	7.89	101.25	102.75
UBA 6.75% 2026	9.63	9.18	89.75	91.25
GHANA 7.625% MAY 2029	21.37	20.69	55.13	56.63
NIGERIA 7.875% 2032	10.85	10.66	82.34	83.38

USD LIBOR Movement





DOMESTIC NEWS

CBN DEFENDS NAIRA WITH \$3.36BN IN TWO MONTHS

The Central Bank of Nigeria (CBN) injected \$3.36bn into the foreign exchange market in two months as part of efforts to ensure the stability of the naira. Figures obtained from the CBN's January monthly report on 'Foreign Exchange Market Developments' showed that \$1.71bn and \$1.65bn were injected in December 2021 and January 2022, respectively. The report said, "Total foreign exchange sales to authorized dealers by the Bank was \$1.65bn in January, representing a decrease of 3.1 per cent, relative to \$1.71bn in December 2021.

A breakdown shows that foreign exchange sales at the Small and Medium Enterprises window, interbank/invisible foreign exchange sales and matured swaps contracts rose by 24.4 per cent, 25.9 per cent, and 60.8 per cent to \$0.14bn, \$0.18bn and \$0.21bn, respectively, in January, relative to the amount in December 2021.

However foreign exchange sales to the Investors and Exporters and Secondary Market Intervention Sales windows fell by 13.7 per cent and 16.3 per cent to \$0.58bn and \$0.54bn, respectively, in the month under review.

GLOBAL NEWS

CRUDE OIL EDGED LOWER; DRIVING SEASON PROMPTS POSITIVE WEEK

Oil prices eased slightly Friday but remained on course for another weekly gain, supported by rising U.S. demand at the start of the summer driving season adding to a tight global market. U.S. crude futures traded 0.4% lower at \$113.64 a barrel, while the Brent contract fell 0.2% to \$113.94 a barrel.

U.S. Gasoline RBOB Futures were up 0.1% at \$3.8800 a gallon. Any gains this week would mean the crude market registered its fifth consecutive positive week, the best run since February, with futures more than 50% higher this year. The U.S. starts a three-day weekend on Saturday, with Monday's Memorial Day usually regarded as the start of summer driving season, and pent-up demand for travel in the reopened U.S. economy is expected to trump record-high gasoline prices. Data released Wednesday from the U.S. Energy Information Administration showed a larger than expected draw in the crude oil inventories last week, which implies greater demand and is normally considered a bullish factor for crude oil prices.

The next source of interest in the market will be next week's meeting of the Organization of the Petroleum Exporting Countries and allies, a group known as OPEC+. The cartel is widely expected to raise July output targets by 432,000 barrels per day, keeping to its previously stated plan, and rebuffing Western calls for a faster increase to try and curb high prices.

Sources: FMDQ, Access Bank Treasury Team, Bloomberg, Punch, Cable, CBN, CNBC

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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