

Daily Market Update

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

Wednesday, 12 January 2022

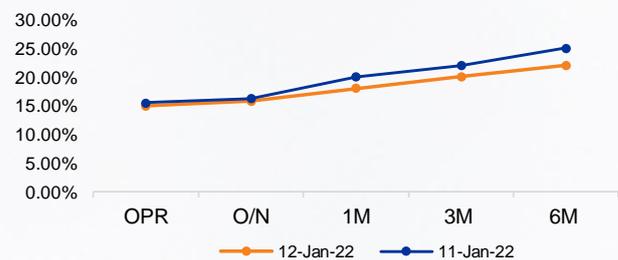
Money Market

System liquidity opened with a balance of ₦158bn, a significant improvement from the previous day's levels of ₦26bn.

As a result, the Open Repo and Overnight rates decreased by 50bps to close the day at 15.00% and 15.75% respectively, as no significant funding activity was recorded.

We expect the rates to decline slightly tomorrow due to the net credit expected from the NTB sales.

Money Market Rate Movement



Foreign Exchange

The NAFEX witnessed a depreciation of ₦0.20 to close the day at \$/₦415.80.

The activities at the Investors' and Exporters' Window has not gained the usual traction as market participants traded cautiously due to uncertainty in the direction of rates. The Apex bank intervened in the market as expected by selling funds to FPIs. Consequently, the Naira appreciated by ₦0.50 to close the day at \$/₦416.00.

We expect rates to trade at these levels tomorrow barring any significant change in market activity.

FX Rates	Current	Previous	%Δ
I&E Closing	416.00	416.50	(0.12)
NAFEX	415.80	415.60	0.05

Treasury Bills

The Treasury Bills secondary market opened on a rather quiet note as market players focused their attention on the NTB Auction conducted by the DMO. Despite this, we observed pockets of demand across the short and medium end of the curve with only a handful of trades consummated at the end of the trading session.

At the auction, a total of ₦77.6bn was offered. Due to the wide range of bids, only ₦57.5bn was allotted from a total subscription of ₦113.1bn across the standard maturities, with demand skewed toward the new 1-year paper. The stop rate for the 91-day increased slightly to 2.50% (↑1bp), while the stop rate for the 182-day fell slightly to 3.44% (↓1bp). On the 364-day maturity, the stop rate increased significantly by 60bps to close at 5.50% (↑60bps).

We expect the CBN to conduct an OMO Auction tomorrow, given the OMO maturity of c. ₦60bn earlier this week.

Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
10-Feb-22	4.00	01-Feb-22	5.70
10-Mar-22	2.98	15-Feb-22	5.75
9-Jun-22	3.67	01-Mar-22	5.28
11-Aug-22	5.36	16-Aug-22	5.50
13-Oct-22	5.00	04-Oct-22	5.50

BONDS

The Bond market opened the day on a quiet note. As market progressed, the bullish sentiment witnessed yesterday was seen with limited offers to match these bids. However, by midday, we saw intense bullish market with emphasis on the 2026 papers and most offers were being lifted at 11% handle. Just before the close of market, there was limited supply of the traded maturity despite demand being sustained. Yields declined across the benchmark curve by 3bps.

We expect mixed sentiment in the market tomorrow as few bond traders react to today's NTB Auction result.

FGN Bond Yields	Current (%)	Previous (%)	%Δ
12.75 27-APR-2023	7.64	7.65	(0.13)
13.53 23-MAR-2025	10.53	10.53	(0.00)
16.2884 17-MAR-2027	12.26	12.26	0.00
13.98 23-FEB-2028	12.44	12.32	0.97
12.40 18-MAR-2036	12.87	12.87	0.00
16.2499 18-APR-2037	13.04	13.05	(0.08)
12.98 27-MAR-2050	13.11	13.09	0.15

Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	11.50	11.50
Inflation y/y (%)	15.40	15.99
Foreign Reserves (Gross \$'Bn)	40.51	40.50

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.3688	1M	0.11300	WTI	↑ 81.30
EUR/USD	1.1424	3M	0.24443	BRENT	↑ 83.39
USD/JPY	114.80	6M	0.38614	GOLD	↑ 1,815.45
USD/CHF	0.9161	12M	0.69557	SILVER	↑ 22.692

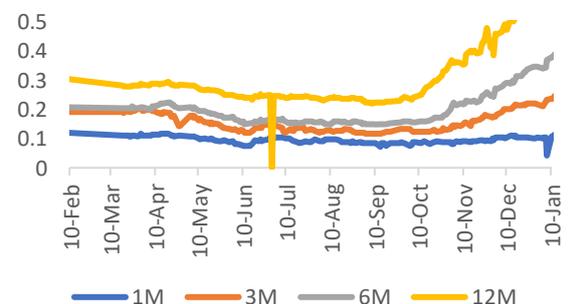
Auction Results

Tenor/Maturity	NTB AUCTION – January 12, 2022			OMO AUCTION – January 06, 2022		
	91-day	182-day	364-day	96-day	180-day	355-day
Offer / Subscription (₦'Bn)	4.22/2.49	7.46/2.26	65.93/108.31	10.00/26.80	10.00/34.90	30.00/103.28
Total Allotment (₦'Bn)	2.19	1.46	53.90	10.00	10.00	30.00
Stop Rate(%)	2.50	3.44	5.50	7.00	8.50	10.10

Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	6.28	6.09	99.375	100.125
ACCESS 9.125% PERP	9.58	9.51	98.125	98.875
ECOBANK 9.5% 2024	5.67	5.22	108.000	109.000
UBA JUNE 2026	6.75	6.56	100.00	100.75
GHANA 7.625% MAY 2029	13.78	13.41	74.625	75.875
NIGERIA 7.875% 2032	8.61	8.45	95.125	96.125

USD LIBOR Movement





DOMESTIC NEWS

FG OVERSHOOTS DEBT SERVICING BY N1.15TN IN 11 MONTHS

The Federal Government exceeded its debt service allocation by N1.15tn for the period between January and November 2021, documents have shown. A copy of the public presentation of the 2022 approved budget by the Minister of Finance, Budget and National Planning, Mrs Zainab Ahmed, showed that the Federal Government allocated N3.32tn for debt servicing in 2021. Further breakdown showed that from the total of N3.33tn, domestic debt was expected to gulp N2.18tn, foreign debt N940.98bn, and sinking fund N200bn.

Further breakdown showed that the government spent about N2.2tn on domestic debt servicing, N885.01bn on foreign debt servicing, and N600m on sinking fund. Although there was no allocation for interest payment on Ways and Means, which is the government's borrowing from the Central Bank of Nigeria, it still spent N1.12tn on the payment of interest. This then fuels indication that the payment of interests on Ways and Means was a major contributor to the excess in debt service allocation.

GLOBAL NEWS

CHINA IS PUSHING FOR BROADER USE OF ITS DIGITAL CURRENCY

China is ramping up efforts to roll out the digital Yuan to the broader population, as the country's technology giants like Alibaba and Tencent jump on board. But there are challenges ahead and one particular question stands out: Will Chinese citizens who already use two dominant mobile payment systems run by these same tech firms begin paying with the digital Yuan?

The People's Bank of China (PBOC), the country's central bank, has been working on the digital form of its sovereign currency since 2014. Also known as the e-CNY, it's designed to replace the cash and coins already in circulation. It is not a Cryptocurrency like Bitcoin, in part because it's controlled and issued by the central bank. Bitcoin is a decentralized digital currency that isn't backed by any central bank or a single administrator. Perhaps the most significant push came on Thursday when Tencent announced that its WeChat messaging app would support the digital Yuan. WeChat has over 1 billion users and is integral to daily life in China.

Sources: FMDQ, Access Bank Treasury Team, Reuters, Bloomberg, Punch, CNBC

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