

Daily Market Update

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

Tuesday, 17 May 2022

Money Market

System liquidity opened the day with a balance of ₦54bn, a significant decline from previous day opening levels of ₦331bn due to the debit for the Retail SMIS FX auction.

Consequently, the OPR and O/N rate increased by 342bps to close the day at 11.25% and 11.50% respectively as banks funded intraday transactions.

We expect the rates to inch up slightly tomorrow due to bond auction debit.

Money Market Rate Movement



Foreign Exchange

We experienced a calm trading session today as the supply of funds in the IEFX market was met with high demand. However, I&E rate appreciated by 300 Kobo to close at \$/₦418.50

The NAFEX rate, depreciated by ₦0.25 to close the day at \$/₦416.86

Exchange rate is expected to hover around these levels tomorrow, barring any significant market activity.

FX Rates

	Current	Previous	%Δ
I&E Closing	418.50	421.50	(0.71)
NAFEX	416.86	416.61	0.06

Treasury Bills

Despite the OMO maturity of ₦35bn today, the Treasury Bills secondary market opened with mixed sentiments as market participants exposed their bids and offers across the curve. This trend persisted for most of the trading day with only a handful of trades consummated by market close. Consequently, closing rates remained largely unchanged from opening levels.

We expect the mixed sentiments to continue tomorrow as market participants continue to trade cautiously amid 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	4.18	14-Feb-23	4.31
30-Mar-23	4.51	7-Mar-23	4.83

Bonds

The FGN Bond market opened the day on a slightly bearish note as auction winners sought to exit their winnings. Most trades centered around the on-the-run papers with offers for the 3-Yr, 10-Yr and 20-Yr papers firmly quoted at 9.95%, 12.40% and 12.95% respectively. However, most bids hovered around 10.10%, 12.45% and 13.05% respectively. Few trades were executed across board due to the slightly wide bid/ask spread. By close of market, yields inched up by an average of 5bps across the benchmark securities.

We anticipate the bearish sentiment to persist tomorrow as market participants fund for the expected Bond auction debit.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	1.83	1.83	0.00
13.53 23-MAR-2025	10.00	9.89	1.21
16.2884 17-MAR-2027	11.00	11.07	(0.09)
13.98 23-FEB-2028	11.22	11.28	(0.53)
12.40 18-MAR-2036	12.40	12.50	(0.08)
16.2499 18-APR-2037	12.24	12.24	0.00
12.98 27-MAR-2050	12.86	12.84	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)	39.55	39.01

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.2481	1M	0.93557	WTI	↑ 112.91
EUR/USD	1.0548	3M	1.45500	BRENT	↑ 113.11
USD/JPY	129.31	6M	2.01700	GOLD	↑ 1817.1
USD/CHF	0.9924	12M	2.65686	SILVER	↑ 21.69

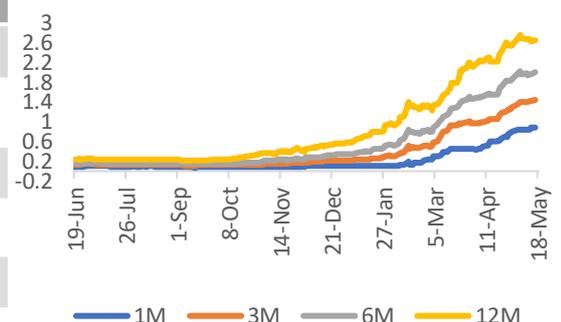
Auction Results

Tenor/Maturity	OMO AUCTION – May 12, 2022			NTB AUCTION – May 11, 2022		
	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	8.80	8.50	90.50	91.50
ACCESS 9.125% PERP	12.21	11.75	89.52	90.75
ECOBANK 9.5% 2024	8.20	7.64	102.25	103.25
UBA 6.75% 2026	9.89	9.60	93.00	94.00
GHANA 7.625% MAY 2029	20.59	19.94	56.75	58.25
NIGERIA 7.875% 2032	11.98	11.77	76.75	77.75

USD LIBOR Movement





DOMESTIC NEWS

ENERGY CRISIS PUSHES NIGERIA'S CORE INFLATION RATE TO A 5-YEAR HIGH

Nigeria's core inflation rate soared to a 5-year record high in April 2022 as the index rose by 14.18% year-on-year in the review month from 13.91% recorded in the previous month. This is according to information contained in the Consumer Price Index report released by the National Bureau of Statistics (NBS).

Incessant hikes in the price of goods and services have been a recurrent issue in Nigeria, since 2019 when the federal government ordered the closure of land borders, which caused a spiral effect in food prices. This was also exacerbated by the covid-19 pandemic as the cost of most services soared across the world.

Most recently is the energy crisis ravaging the global economy after Russia invaded the territories of Ukraine in February leading to a number of reactions from the western economies, which caused the price of crude oil to skyrocket. Note that Russia is a major exporter of crude oil and energy in the world.

GLOBAL NEWS

TURKEY THREATS TO BLOCK NATO MEMBERSHIP FOR SWEDEN AND FINLAND

Turkish President Recep Tayyip Erdogan has doubled down on his opposition to Sweden and Finland joining the NATO alliance, a move that would be historic for the two Nordic countries in the wake of Russia's invasion of Ukraine. "We will not say 'yes' to those [countries] who apply sanctions to Turkey to join security organization NATO," Erdogan said at a news conference late Monday. He was referring to Sweden's suspension of weapons sales to Turkey in 2019 over its military activities in Syria.

Sweden's Foreign Ministry said Monday that it planned to send senior officials joining with officials from Finland to the Turkish capital of Ankara to address Erdogan's objections. But the Turkish leader essentially said they'd be wasting their time. Sweden and Finland have provided refuge to members of Kurdish militant separatist organization the PKK, which Turkey classifies as a terrorist organization, and which has carried out attacks in Turkey. The two countries have also provided support for and held high-level meetings with members of the YPG, which is the PKK's branch in Syria credited with helping defeat ISIS as well as fighting against Turkish forces.

Sources: FMDQ, Access Bank Treasury Team, Bloomberg, Reuters, 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."

More information:
IP: 7007
Email: FixedIncome@ACCESSBANKPLC.com



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