

Daily Market Update

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

Thursday, 26 May 2022

Money Market

The illiquidity in the market persisted and was further exacerbated by the net NTB debit of ₦20bn.

Consequently, the OPR and Overnight rates increased by 71bps day on day to close at 13.67% and 14.08% as Banks continue to fund their obligations.

We expect the rates to hover around these levels tomorrow despite the bi-weekly retail SMIS auction schedule to hold.

Foreign Exchange

The NAFEX depreciated slightly by ₦0.08 to close the day at \$/₦418.08

At the Investors' and Exporters' market, the paucity of funds left most of the demand for USD unmet as very few offers were available. Consequently, rates depreciated by ₦0.88 to close at \$/₦418.88. We anticipate rates to trade at these levels tomorrow.

We expect the CBN to conduct its Retail SMIS auction tomorrow.

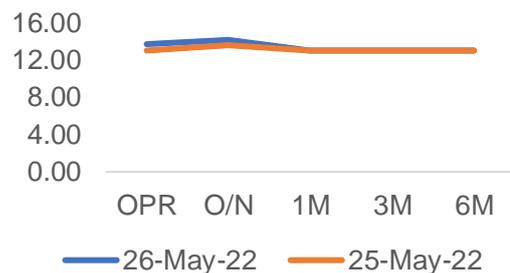
Treasury Bills

The Treasury Bills secondary market opened on a quiet note as the OMO auction took centerstage. As the day progressed, we observed interest across the curve particularly on the newly issued NTB, with minimal trades consummated by market close. Consequently, closing rates remained unchanged from opening levels.

At the auction, the CBN offered ₦20bn across the 110-, 187- and 355-day maturities. Despite the oversubscription, the CBN sold exactly what was offered, with stop rates remaining unchanged at 7.00%, 8.50% and 10.10% respectively across the offered maturities.

Closing the week, we expect the bearish sentiments to persist as market participants continue to trade cautiously.

Money Market Rate Movement



FX Rates

	Current	Previous	%Δ
I&E Closing	418.88	418.00	0.20
NAFEX	418.08	418.00	0.02

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

Following the uptick in stop rates at the NTB auction yesterday, the Bond market opened the day on an active note with yields trending upwards across the benchmark curve. The 2028 and 2042 were in high demand with bids marked at 11.50% and 13.40% respectively. The 2032 saw bids touch 7.2% whilst the mid tenured papers remained relatively mute throughout the trading session. By the close of the trading day, many trades were consummated, and yields inched up by 5bp across the curve.

We expect a bearish market tomorrow as participants react to the high interest rate expectations amid thin liquidity.

FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	7.64	7.65	(0.10)
13.53 23-MAR-2025	10.10	10.10	0.00
16.2884 17-MAR-2027	10.85	10.85	0.00
13.98 23-FEB-2028	11.05	11.06	(0.10)
12.40 18-MAR-2036	12.40	12.40	0.00
16.2499 18-APR-2037	12.51	12.51	0.00
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)	38.63	38.65

Global Currency, Fixings and Commodities

Global Currencies		LIBOR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.2575	1M	1.02300	WTI	↑ 11434
EUR/USD	1.0724	3M	1.55286	BRENT	↑ 117.18
USD/JPY	127.26	6M	2.05429	GOLD	↓ 1,845.29
USD/CHF	0.9608	12M	2.68400	SILVER	↑ 21.93

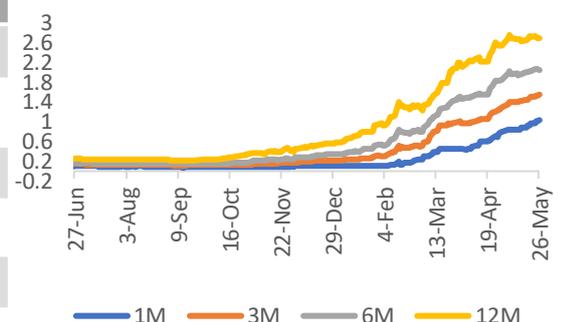
Auction Results

Tenor/Maturity	OMO AUCTION – May 26, 2022			NTB AUCTION – May 25, 2022		
	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	12.95	12.47	87.00	88.50
ECOBANK 9.5% 2024	8.76	7.89	101.25	102.75
UBA 6.75% 2026	9.62	9.18	89.75	91.25
GHANA 7.625% MAY 2029	21.08	20.41	55.75	57.25
NIGERIA 7.875% 2032	11.17	10.97	80.75	81.75

USD LIBOR Movement





DOMESTIC NEWS

NAIRA DEVALUATION, INSECURITY DRIVE NIGERIA'S WHEAT IMPORTS TO 1.3TN

Importation of durum or pasta wheat into Nigeria has continued to skyrocket, rising from N730.9 billion in 2020 to N1.295 trillion in 2021. The Punch's calculations from the National Bureau of Statistics Foreign Trade Statistics showed that wheat importation into Africa's most populous nation rose 77.23 per cent from 2020 to 2021. Wheat is an important commodity which serves as flour in the production of pasta, bread, noodles, among others. Economists said the difference in the two years could be attributed to the devaluation of the nation's currency and insecurity that led to little or no production in the northern Nigeria for a number of years.

Naira devalued by over 15 per cent in the official market and over 20 per cent in the parallel market in the two years, but insurgents and bandits in the north have also sacked farmers of wheat and other crops, leading to supply chain disruption.

Wheat prices have risen by over 60 per cent this year due to Russia's invasion of Ukraine. Russia and Ukraine account for one-thirds of global wheat exports. Countries like India are rumored to be planning to ban wheat exports due to uncertainties in the global market, and Nigeria will likely bear the brunt.

GLOBAL NEWS

U.S. STOCKS CLIMB, ON TRACK FOR A WEEKLY GAIN

U.S. stocks rose on Thursday as investors tried to sustain a rally while they digested the latest information from the Federal Reserve. At 10:48 AM ET, the Dow Jones Industrial Average rose 452 points or 1.4%, while the S&P 500 rose 1.6% and the NASDAQ Composite rose 1.9%.

Minutes of the Federal Reserve's last meeting in early May indicated the central bank could slow the pace of its interest rate increases later this year if inflation trends lower and the labor market shows less of a demand-supply imbalance. That cheered investors and has sent stocks higher.

Apple Inc (NASDAQ:AAPL) shares rose 1% after a report by Bloomberg that the company expects not to increase production of its iPhones this year because of disruptions in China linked to lockdowns.

McDonald's Corporation (NYSE:MCD) shares rose 1.6% after activist investor Carl Icahn lost a bid to get two board seats at the company.

Oil was also on the rise. Crude Oil WTI Futures jumped 3% in early trading, to \$113.90 a barrel, and Brent Oil Futures crude rose 2% to \$113.68. Gold Futures was flat at \$1,844 an ounce.

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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more than banking

