

# Daily Market Update

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

Thursday, 21 July 2022

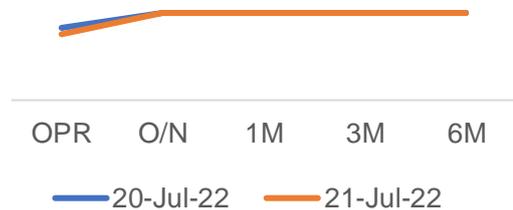
## Money Market

Market liquidity opened the day with a balance of ₦16bn, however some participants were seen to have accessed the CBN repo window to the tune of ₦205bn.

Despite this, the OPR and Overnight rates declined by 8bps from the previous day's level to close the day at 14.75% and 15.00% respectively, as the Bond coupon of ₦66bn that impacted the system had minimal impact on the movement of the rate.

We expect the rates to increase marginally tomorrow as Banks fund for the bi-weekly Retail SMIS auction.

### Money Market Rate Movement



## Foreign Exchange

The NAFEX gained marginally by 17 kobo to the Greenback to close at \$/₦423.83

The illiquidity in the market persisted as most bids in the IEFX market remains unmet due to limited supply of FX. However, the rates gained 58 kobo to close at \$/₦426.00

The CBN is expected to conduct the Bi-weekly Retail SMIS Auction and rates should trade at these levels tomorrow.

### FX Rates

	Current	Previous	%Δ
I&E Closing	426.00	426.58	(0.14)
NAFEX	423.83	424.00	(0.04)

## Treasury Bills

The Treasury Bills secondary market traded on a quiet note amid the thin levels of system liquidity. As trading progressed, we witnessed mixed sentiments across the belly of the curve particularly on the November special bill with minimal trades consummated by market close. Consequently, average rates remained largely unchanged from opening levels.

Closing the week, we expect the market to trade with bearish sentiments as market players provide liquidity to fund their obligations including the retail auction debit.

### Treasury Bills

NTB Maturity	Rate(%)	OMO Maturity	Rate(%)
8-Sep-22	9.75	16-Aug-22	10.00
13-Oct-22	9.00	04-Oct-22	11.30
26-Jan-23	7.50	14-Feb-23	8.02
27-Apr-23	4.90	7-Mar-23	8.00

## Bond

Despite the coupon inflow of approximately ₦66.11bn (2042 bond) that hit the system today, the FGN bond market maintained its bearish outlook. However, mild demand resurfaced on the 2026, 2042 and 2049 with bids quoted circa 11.50%, 13.80% and 13.50% respectively, whilst the belly of the curve remained mute.

Overall, just a few trades were consummated across the curve due to the sustained gap between bid and offer. Yields inched up by 5bps across the benchmark curve.

Barring any material information, we expect a calm market tomorrow as dealers trade cautiously to close the trading week.

### FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	8.99	8.99	0.00
13.53 23-MAR-2025	11.39	11.36	0.26
16.288 17-MAR-2027	11.72	11.72	0.00
13.98 23-FEB-2028	11.40	11.40	0.00
12.40 18-MAR-2036	12.70	12.70	0.00
16.2499 18-APR-2037	12.53	12.53	0.00
12.98 27-MAR-2050	13.15	13.15	0.00

### Monetary Policy

Key Indicator	Current	Previous
Monetary Policy Rate (%)	14.00	13.00
Inflation y/y (%)	18.60	17.71
Foreign Reserves (Gross \$'Bn )	39.42	39.44

### Global Currency, Fixings and Commodities

Global Currencies		SOFR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.1970	1M	2.26	WTI	↓ 96.22
EUR/USD	1.0204	3M	2.54	BRENT	↓ 104.01
USD/JPY	137.98	6M	2.98	GOLD	↑ 1711.00
USD/CHF	0.9694	12M	3.26	SILVER	↓ 18.698

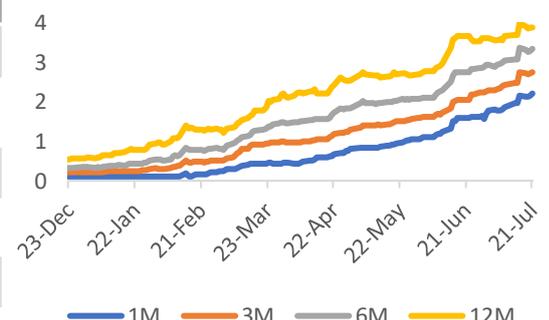
### Auction Results

Tenor/Maturity	BOND AUCTION – July 18, 2022			NTB AUCTION – JULY 13, 2022		
	MAR 2025	APR 2032	JAN 2042	91-day	182-day	364-day
Offer / Subscription (₦'Bn)	75.00/11.75	75.00/25.62	75.00/104.92	4.51/4.61	1.46/1.94	137.30/138.91
Total Allotment (₦'Bn)	5.30	17.82	100.72	4.27	1.49	137.50
Stop Rate(%)	11.00	13.00	13.75	2.75	4.00	7.00

### Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	14.60	13.82	74.25	76.25
ACCESS 9.125% PERP	19.08	18.24	71.00	73.00
ECOBANK 9.5% 2024	12.11	10.78	96.00	98.00
UBA 6.75% 2026	10.25	9.63	88.00	90.00
GHANA 7.625% MAY 2029	24.64	23.78	49.125	50.75
NIGERIA 7.875% 2032	13.69	13.45	69.50	70.50

### USD LIBOR Movement





## DOMESTIC NEWS

### PRICE PRESSURES BUILD IN NIGERIA AS DIESEL COSTS SURGE 200%

Central Bank of Nigeria's plan to rein in inflation may prove to be even more difficult after diesel prices tripled in June and show little signs of relenting. Average diesel prices increased 203% from a year earlier in June to 733.8 naira (\$1.74) a liter, according to data published by the National Bureau of Statistics on Wednesday. That's the highest level since at least June 2016, its data shows. Diesel prices have risen further to 780 naira a liter this month.

The statistic office does a monthly survey of fuel prices that are deregulated and used to calculate inflation data. The high prices are likely to stoke inflation that the CBN's monetary policy committee said Tuesday it is focused on quelling as it raised its benchmark interest by 100 basis points. Governor Godwin Emefiele said high levels of price growth has "negative consequences, particularly on the purchasing power of the poor, as well as retarding growth." Diesel prices have surged since Russia invaded Ukraine in February. Nigerian businesses and most of its population rely on the fuel because of a shortage of power.

## GLOBAL NEWS

### EUROPEAN CENTRAL BANK SURPRISES MARKETS WITH LARGER-THAN-EXPECTED RATE HIKE, ITS FIRST IN 11 YEARS

The European Central Bank on Thursday increased interest rates for the first time in 11 years in an attempt to cool rampant inflation in the euro zone. The ECB, the central bank of the 19 nations that share the euro currency, surprised markets by pushing its benchmark rate up by 50 basis points, bringing its deposit rate to zero. Traders had expected a smaller hike of 25 basis points.

"The Governing Council judged that it is appropriate to take a larger first step on its policy rate normalization path than signaled at its previous meeting," the ECB said in a statement Thursday. The Frankfurt institution had kept rates at historic lows, in negative territory since 2014, as it dealt with the region's sovereign debt crisis and the coronavirus pandemic.

The euro rose to a session high on news of the more aggressive rate hike, to trade at \$1.0257. The yield on the 10-year Italian bond also jumped on the news, extending gains after reacting to the resignation of Prime Minister Mario Draghi earlier on Thursday.

Sources: FMDQ, Access Bank Treasury Team, CBN, Bloomberg, Thisday, Investing.com

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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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