

Daily Market Update

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

Thursday, 08 September 2022

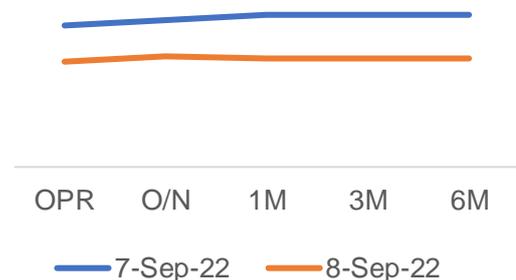
Money Market

Market liquidity opened the day with a balance of ₦65.41bn; a slight increase from yesterday's position.

Consequently, the OPR and Overnight rates declined by 333bps from the previous levels to close the day at 9.67% and 10.17% levels, respectively.

We expect the rates to hover around these levels tomorrow barring any significant funding activities.

Money Market Rate Movement



Foreign Exchange

We saw the NAFEX appreciate slightly from its continuous decline trend by ₦0.20 day on day to close at \$/₦435.63.

The paucity of funds at the IEFX market persisted throughout trading today with most market participants at the left hand side of the quote. At the close of business, the rate however appreciated slightly by ₦0.17 to close at \$/₦436.33.

We expect the Central Bank of Nigeria to release the result of last week's retail SMIS auction. We expect rates to trade at similar levels closing the week.

FX Rates

| | Current | Previous | %Δ |
|-------------|---------|----------|--------|
| I&E Closing | 436.33 | 436.50 | (0.04) |
| NAFEX | 435.63 | 435.83 | (0.05) |

Treasury Bills

The Treasury Bills secondary market opened the day with mixed sentiments following the NTB auction yesterday as market participants exposed bids and offers across the curve particularly on the newly issued NTB. This trend was sustained throughout the trading session as trades were consummated across the 8.00% handle. By market close, average rates remained largely unchanged from opening levels.

We expect similar trend to persist tomorrow as market participants continue to show bids and offers across the curve.

Treasury Bills

| NTB Maturity | Rate(%) | OMO Maturity | Rate(%) |
|--------------|---------|--------------|---------|
| 13-Oct-22 | 9.00 | 04-Oct-22 | 11.30 |
| 26-Jan-23 | 9.80 | 14-Feb-23 | 10.00 |
| 23-Feb-23 | 6.30 | 7-Mar-23 | 10.90 |
| 25-May-23 | 7.50 | 2-May-23 | 10.43 |

Bond

The FGN bond market opened on a calm note and this trend persisted throughout the trading session. Offers were seen for the 2028 papers at 12.90% with bids slightly elevated at 13.10% level.

A handful of trades were consummated on the 2037 paper, with yields quoted at 13.75%. By and large, rates inched up by an average of 2bps across the benchmark curve.

We expect a quiet trading session tomorrow barring any new information in the market.

FGN Bond Yields

| | Current (%) | Previous (%) | %Δ |
|---------------------|-------------|--------------|--------|
| 14.20 14-MAR-2024 | 11.50 | 11.51 | (0.09) |
| 13.53 23-MAR-2025 | 13.01 | 13.01 | 0.00 |
| 16.288 17-MAR-2027 | 13.05 | 13.05 | 0.00 |
| 13.98 23-FEB-2028 | 13.00 | 13.00 | 0.00 |
| 12.40 18-MAR-2036 | 13.60 | 13.60 | 0.00 |
| 16.2499 18-APR-2037 | 13.68 | 13.68 | 0.00 |
| 12.98 27-MAR-2050 | 13.65 | 13.65 | 0.00 |

Monetary Policy

| Key Indicator | Current | Previous |
|---------------------------------|---------|----------|
| Monetary Policy Rate (%) | 14.00 | 13.00 |
| Inflation y/y (%) | 19.64 | 18.60 |
| Foreign Reserves (Gross \$'Bn) | 38.92 | 38.94 |

Global Currency, Fixings and Commodities

| Global Currencies | | SOFR | | Commodities | |
|-------------------|--------|-------|----------|-------------|------------|
| CCY | Rate | Tenor | Rate (%) | Comm. | Price (\$) |
| GBP/USD | 1.1473 | 1M | 2.75 | WTI | ↓ 83.23 |
| EUR/USD | 0.9951 | 3M | 3.13 | BRENT | ↓ 88.83 |
| USD/JPY | 144.14 | 6M | 3.48 | GOLD | ↓ 1,716.85 |
| USD/CHF | 0.9732 | 12M | 3.71 | SILVER | ↓ 18.32 |

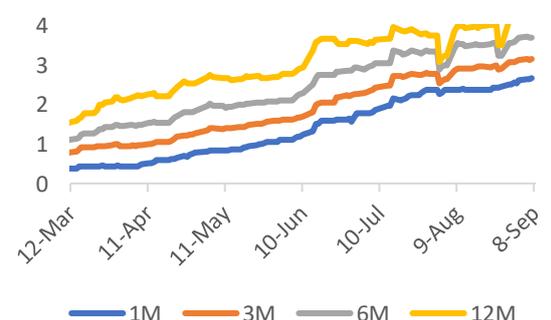
Auction Results

| Tenor/Maturity | NTB AUCTION – SEPTEMBER 07, 2022 | | | OMO AUCTION – SEPTEMBER 01, 2022 | | |
|---------------------------|----------------------------------|-------------|---------------|----------------------------------|-------------|--------------|
| | 91-day | 182-day | 364-day | 89-day | 194-day | 362-day |
| Offer/Subscription (₦'Bn) | 20.77/1.13 | 31.29/10.55 | 162.68/208.87 | 10.00/12.00 | 10.00/14.00 | 30.00/120.32 |
| Total Allotment (₦'Bn) | 1.03 | 10.55 | 203.15 | 10.00 | No Sale | 40.00 |
| Stop Rate(%) | 5.50 | 5.85 | 10.00 | 7.00 | N/A | 10.10 |

Eurobonds

| Security | Yield Bid (%) | Yield Offer (%) | Price Bid | Price Offer |
|-----------------------|---------------|-----------------|-----------|-------------|
| ACCESS 6.125% 2026 | 11.88 | 11.17 | 82.00 | 84.00 |
| ACCESS 9.125% PERP | 15.66 | 14.73 | 80.00 | 82.50 |
| ECOBANK 9.5% 2024 | 12.13 | 10.71 | 96.25 | 98.25 |
| UBA 6.75% 2026 | 10.03 | 9.39 | 89.00 | 91.00 |
| GHANA 7.625% MAY 2029 | 27.21 | 26.01 | 45.25 | 47.25 |
| NIGERIA 7.875% 2032 | 13.08 | 12.84 | 72.25 | 73.25 |

USD LIBOR Movement





DOMESTIC NEWS

NIGERIA'S FOREIGN TRADE RISES TO N12.8 TRILLION IN Q2 2022

Nigeria recorded a total foreign trade of ₦12.84 trillion in the second quarter of 2022, representing a 32.2% increase compared to the corresponding period of 2021 (₦9.71 trillion). However, when compared to the previous quarter, it decreased marginally by 1.2% from ₦13 trillion. According to the National Bureau of Statistics, international trade balance surged to ₦1.97 trillion, the highest in four years.

The favorable trade balance can be attributed to the significant increase in export earnings compared to that of import bill. Specifically, Nigeria earned ₦7.41 trillion from export in the period under review, compared to ₦5.02 trillion recorded in the corresponding period of 2021. This indicates a 47.5% year-on-year increase.

On the other hand, import bill increased 15.8% year-on-year to ₦5.44 trillion. Although compared to the previous quarter it declined by 7.9%. Further breakdown of the report showed that crude oil export rose by 45.1% year-on-year to ₦5.91 trillion in Q2 2022, this is the highest on record based on data from the NBS. Also, non-crude oil export jumped by 58.2% year-on-year to ₦1.49 trillion.

GLOBAL NEWS

U.S. DOLLAR GAINS AS FED DOUBLES DOWN ON TIGHTENING STANCE; EURO FALLS

The U.S. dollar rose after Federal Reserve Chair Jerome Powell reiterated that it will continue to raise interest rates in order to tame surging inflation and warned against prematurely loosening monetary policy. The European Central Bank raised interest rates by a record 75 basis points, taking the deposit rate above 0% for the first time since 2012. The euro initially went above parity against the dollar, but has since weakened in the wake of Powell's comments.

In remarks at a Cato Institute conference, Powell said "the Fed needs to keep going until it gets the job done and is "strongly committed" to bringing inflation down". U.S. rate futures have priced in an 87% chance the Fed will hike by another 75 basis points at this month's meeting, which would increase the fed funds rate to 3.25%. The dollar index was up 0.2% at 109.90, after soaring to its strongest level since June 2002 the day before. The euro, on the other hand, dropped 0.4% to \$0.9966. The ECB said it expected to continue raising rates to dampen demand, prioritizing the fight against inflation even as the euro zone heads toward a likely winter recession.

Sources: FMDQ, Access Bank Treasury Team, CBN, Bloomberg, Nairametrics, ThisDay, Reuters

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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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