

# Daily Market Update

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

Friday, 16 September 2022

## Money Market

Market liquidity opened the day with a balance of ₦262.38bn, a reduction from yesterday's position as banks fund for the bi-weekly retail SMIS Auction conducted by the CBN.

Consequently, the OPR and Overnight rates increased by 267bps from previous levels to close the day at 9.67% and 10.17%, respectively.

We expect the money market rates to hover around these levels next week barring any significant funding activities.

## Foreign Exchange

The CBN conducted the bi-weekly retail SMIS Auction, and the NAFEX was fixed at \$/₦435.53, a day-on-day appreciation of ₦0.11.

The illiquidity seen in the investors and exporters' window persisted in today's trading session, albeit most trades were executed around of ₦436 to the Dollar. By close of trading, rates appreciated marginally by ₦0.08 to close the day at \$/₦436.25.

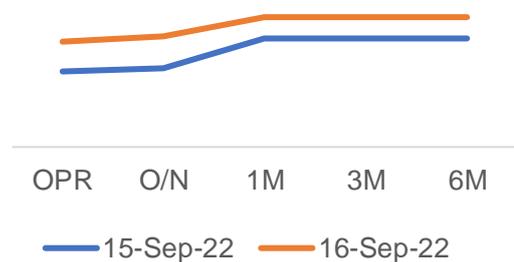
We expect similar rates next week.

## Treasury Bills

Closing the week, the Treasury Bills market opened on a relatively quiet note with bearish undertone across the mid to the long end of the curve. This trend persisted for most of the trading session as market participants sought to provide liquidity to fund their obligations including the retail auction debit. By market close, handful of trades were consummated across the OMO and NTB curves. Despite this, closing rates remained unchanged from opening levels.

We expect the quiet trend to persist opening the new week as market players trade cautiously ahead of the Bond auction.

### Money Market Rate Movement



### FX Rates

	Current	Previous	%Δ
I&E Closing	436.25	436.33	(0.02)
NAFEX	435.53	435.64	(0.02)

### 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
09-Mar-23	7.54	7-Mar-23	10.90
08-Jun-23	6.45	2-May-23	10.43

## Bond

The FGN Bond market opened on a calm note and this trend persisted throughout the trading session. We saw pockets of demand on the 2029 bond, but barely few trades were consummated given the wide bid/ask spread relative to comparable instruments across the benchmark curve. There was also some demand on the long end of the curve, with emphasis on the 2050 maturity at 13.35%. Nevertheless, just a handful of trades were consummated and as such average yields across board dropped marginally by 2bps to close at 12.73%.

We expect a quiet market opening the week as market participants gear up for the monthly Bond auction conducted by the DMO on Monday, where N70-80bn each will be offered across the 2025, 2032 and 2037 bonds. As witnessed in the last couple of auctions, the longest-tenured maturity will remain over-subscribed, relative to the other on-the-run bonds.

### FGN Bond Yields

	Current (%)	Previous (%)	%Δ
14.20 14-MAR-2024	11.05	11.06	(0.09)
13.53 23-MAR-2025	13.00	13.00	0.00
16.288 17-MAR-2027	12.83	12.92	(0.70)
13.98 23-FEB-2028	13.00	13.00	0.00
12.40 18-MAR-2036	13.57	13.57	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 (%)	20.52	19.64
Foreign Reserves (Gross \$'Bn )	38.73	38.78

### Global Currency, Fixings and Commodities

Global Currencies		SOFR		Commodities	
CCY	Rate	Tenor	Rate (%)	Comm.	Price (\$)
GBP/USD	1.1380	1M	3.02	WTI	85.59
EUR/USD	0.9961	3M	3.45	BRENT	91.76
USD/JPY	143.16	6M	3.87	GOLD	1,672.52
USD/CHF	0.9628	12M	4.16	SILVER	19.073

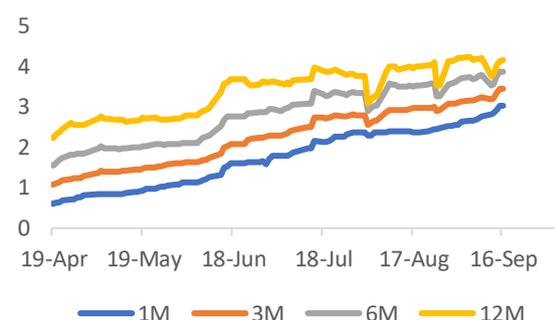
### Auction Results

	NTB AUCTION – SEPTEMBER 14, 2022			OMO AUCTION – SEPTEMBER 15, 2022		
Tenor/Maturity	91-day	182-day	364-day	96-day	194-day	362-day
Offer/Subscription (₦'Bn)	11.44/11.27	21.85/4.42	126.31/391.64	5.00/17.00	5.00/24.50	20.00/121.17
Total Allotment (₦'Bn)	8.50	0.92	150.18	5.00	5.00	10.00
Stop Rate(%)	5.50	6.00	9.75	7.00	8.50	10.10

### Eurobonds

Security	Yield Bid (%)	Yield Offer (%)	Price Bid	Price Offer
ACCESS 6.125% 2026	12.18	11.46	81.25	83.25
ACCESS 9.125% PERP	15.78	14.85	79.75	82.25
ECOBANK 9.5% 2024	12.17	10.72	96.25	98.25
UBA 6.75% 2026	10.20	9.56	88.50	90.50
GHANA 7.625% MAY 2029	29.55	28.22	41.75	43.75
NIGERIA 7.875% 2032	13.20	12.97	71.75	72.75

### USD LIBOR Movement





## DOMESTIC NEWS

### WORLD BANK TO CBN, OTHERS: PREPARE FOR RECESSION

The World Bank Group yesterday warned the Central Bank of Nigeria (CBN), and other central banks across the world on the possibility of global economic recession, following simultaneous hike of interest rates. The CBN had at the last Monetary Policy Committee (MPC) meeting in July in Abuja raised the benchmark interest rate from 13.5 per cent to 14 per cent. In a report titled: Risk of Global Recession in 2023 Rises Amid Simultaneous Rate Hikes, World Bank Group President David Malpass, said that central banks' simultaneous hike of interest rates in response to inflation, will push the world economies toward a global recession in 2023. The decision would also lead to a string of financial crises in emerging market and developing economies that would do them lasting harm, according to a comprehensive new study by the World Bank. The study relies on insights from previous global recessions to analyze the recent evolution of economic activity and presents scenarios for 2022 to 24.

The report said central banks around the world have been raising interest rates this year with a degree of synchronicity not seen over the past five decades—a trend that is likely to continue well into next year. “Yet the currently expected trajectory of interest-rate increases, and other policy actions may not be sufficient to bring global inflation back down to levels seen before the pandemic. Investors expect central banks to raise global monetary-policy rates to almost four percent through 2023—an increase of more than two percentage points over their 2021 average,” it said.

## GLOBAL NEWS

### FUTURES HIT TWO-MONTH LOWS AS FEDEX WARNING STOKES SLOWDOWN FEARS

U.S. stock index futures tumbled to two-month lows on Friday after a profit warning from global delivery bellwether FedEx spooked investors already worried about aggressive rate hikes from the Federal Reserve tipping the economy into a recession.

Shares of FedEx Corp (NYSE:FDX) plunged 20.7% in premarket trading after the company said a global demand slowdown accelerated at the end of August and predicted that it would worsen in the November quarter. If losses hold through the day, it will mark the steepest one-day percentage drop for the stock, surpassing its 16.4% slump on Black Monday in 1987. Rivals UPS and XPO Logistics (NYSE:XPO) slid 7.1% and 6.0% respectively, while Amazon.com Inc (NASDAQ:AMZN) AMZN.O slipped 2.6%.

“The Fed will view the FedEx report as an indication that they are on the right path, rather than a warning that the Fed may be moving too aggressively,” said Rick Meckler, a partner at Cherry Lane Investments in New Vernon, New Jersey.

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

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# DIVERSIFY YOUR PORTFOLIO WITH EURO BONDS

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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