

Fixed Income and Money Market

FGN Bond Market

At the start of last week, the Nigerian bond market was relatively mixed with selling interests seen mostly short-term maturities. However, towards the end of the week, the market registered few buying interests on selected long-term maturities. Overall, the average benchmark yield rose by 8bps (basis points) to 11.62% week-on-week.

Nigerian Treasury Bill (NTB)

NTB market sustained its bearish trend throughout last week, with selling interests seen on mostly short-term and long-dated maturities. Selectively, the market, also, registered few buying interests on some mid-term maturities. As a result, the average benchmark yield surged by 163bps at 6.98%.

FGN Eurobond Market

The FGN Eurobond market started last week on a positive sentiment, however, the market slipped into bearish region on the back of the possible hike of 50-75bps in interest rate by US Federal Reserve. On Friday, the market gained some positive momentum as US employment data surpassed the expected figure, dousing the fear of recession a bit. In effect, week-on-week, the market rose by 13bps to close at 13.05%.

Money Market

In the absence of any significant inflow, the banks rely on 381 billion repurchase agreement (repo) to bolster their liquidity as the liquidity in the market remained quite low. The rate on Open Buy back (OBB) transactions declined by 17bps to close at 13.83% while rate on Overnight transactions remained unchanged at 14.00%.

Foreign Exchange Market

At the CBN Investors & Exporters Window, last week Friday, the value of naira appreciated by N2.03 against the US dollar as the exchange rate closed lower at NGN426.13/\$1. On Monday and Tuesday, this week, Nigeria's foreign reserve rose by \$9.08 million to settle at \$39.345 billion.

Oil Market

- Refiners:** Oil edged up earlier today, a day after prices fell through \$100 a barrel for the first time since April, but gains were limited by caution ahead of U.S. inflation data that could weaken the market. As of 8:00am this morning, Brent crude futures gained 1 dollar to trade at \$100.55 a barrel.
- Investors have sold oil positions on worries that aggressive interest rate hikes to stem inflation will sharply slow economic activity and hit oil demand. Prices fell by more than 7% on Tuesday in volatile trading. A further concern is that U.S. interest rate rises will push up the dollar, also undermining oil prices.
- Warren Patterson, head of commodities strategy at ING, said that "lingering recession fears continue to hit the market, whilst the strength of the USD and flare-up in Covid cases in parts of China is certainly not helping". Oil is generally priced in U.S. dollars, so a stronger greenback makes the commodity more expensive to holders of other currencies, putting downward pressure on demand.
- On the other hand, U.S. Treasury Secretary Janet Yellen will discuss implementation of the U.S. price cap proposal and global economic developments with Japanese Finance Minister Shunichi Suzuki when they meet, the official said. The goal was to set the price at a level that covered Russia's marginal cost of production, so Moscow is incentivized to continue exporting oil, but not high enough to allow it to fund its war against Ukraine, the official said. Japanese officials had expressed concern about the price cap being set too low but had not rejected a potential price range of \$40 to \$60 per barrel outright, the official said.

FGN Bond Yields

Tenor	Open	Close	Change
^12.75 27-APR-2023	6.89%	6.89%	0.00
^16.29 17-MAR-2027	10.72%	10.72%	0.00
^12.15 18-JUL-2034	12.30%	12.30%	0.00

Nigerian Treasury Bills Yields

29-SEPT-2022 (84 days)	9.50%	9.50%	-0.01
26-JAN-2023 (203 days)	7.11%	7.11%	-0.12
08-JUN-2023 (336 days)	6.39%	6.39%	0.00

Nigerian Eurobond Yields

6.375 JUL 12, 2023	8.92%	8.93%	+0.01
6.50 NOV 28, 2027	12.97%	12.93%	-0.04
7.875 16-FEB-2032	13.84%	13.83%	-0.01

Forex Spot rates

I&E Market	428.16	426.13	-2.03
SMIS Market	430.00	430.00	0.00
Parallel Market	615.00	611.00	-4.00

Forex Forward rates

1 month	427.68	427.55	-0.13
6 months	449.21	449.17	-0.04
12 months	472.74	472.14	-0.60

Other Key Indices

Indicators	Current	Change
OBB	13.83%	-17bps
O/N	14.00%	0.00bps
System liquidity (op. bal)	N222.89bn	+56.974bn
Foreign reserve	\$39.345bn	+\$9.08mn
OPEC Quota	1.826m bpd	+26,000bpd
Nig. Crude output	1.158m bpd	+134,000bpd
Brent Crude	\$100.55	+\$1.00
FAAC Allocation	N656.602bn	+N24.18bn

Major Business Headlines

- Fuel price halts at N200/litre, high fares linger:** Motorists and commuters in Lagos and Ogun states on Tuesday again, lamented the [biting consequences of the lingering fuel scarcity](#), as the situation remained unchanged from the trends experienced over the past two weeks. Checks by our correspondents showed that the price of Premium Motor Spirit, commonly referred to as petrol, seemed to have stalled at N200/litre, about the same price the product has been selling in Lagos, Abuja and some states over the past week.
- Africa's aviation sector to lose \$0.7b, warns IATA:** The International Air Transport Association (IATA) has said Nigeria and other Africa's aviation sector could lose about \$0.7 billion this year to slow COVID-19 vaccination rates. The association stated this in a short video on its social media page. [It said lower vaccination rates slowed Africa's air travel recovery](#), but some "catching up" could happen this year. "In Africa, the financial performance of carriers has been upgraded. As the pace of aviation recovery quickens, carriers in the region are expected to post net losses of \$0.7 billion in 2022, up from \$1.1 billion in 2021.
- With 614,000bpd June Underperformance, Nigeria's Oil Losses Exceed \$2bn:** Out of the 1.772 million barrels per day crude oil allocated to the country by the Organisation of [Petroleum Exporting Countries \(OPEC\) in June, Nigeria was only able to produce 1.158 million bpd](#), the latest Monthly Oil Market Report (MOMR) by the organisation has indicated. At a conservative average price of \$110 per barrel for the month, a THISDAY analysis showed that Nigeria's daily underperformance pegged against the OPEC quota yielded a whopping 614,000 bpd and 19.034 million barrels' deficit for the month.