

Fixed Income and Money Market

FGN Bond Market

Nigerian bond market recorded a mixed reaction yesterday, with selling interests seen mostly on short-term maturities. However, the market registered few buying interests on selected short- and long-term maturities. Overall, the average benchmark yield rose by 4bps (basis points) to 11.66%.

Nigerian Treasury Bill (NTB)

NTB market registered a relatively bearish session yesterday, as massive selloffs on "11-August-2022" maturity drove the market into bearish territory. However, the market recorded few buying interests across most maturities. As a result, the average benchmark yield surged by 10ps at 7.08%.

At yesterday's NTB auction, the DMO sold NGN143.26 billion worth of bills, against NGN142.97 billion offered. The rates on the 91-day, 182-day and 364-day bills were allotted at 2.75%, 4.00%, and 7.00%, respectively. Compared to the last auction, the rates on the 91-day, 182-day and 364-day paper rose by 35bps, 21bps and 93bps, respectively. The bid-to-cover ratio across the three papers was 1.02x, 1.33x, and 1.01x, accordingly.

FGN Eurobond Market

The FGN Eurobond market closed bearish yesterday on the back of brief euro parity – touched 1-to-1 against the dollar for the first time in 20 years; and high-than-expected US inflation rate – the largest increase in more than four decades. The market recorded massive selloffs across maturities as US inflation rate rose to 9.1%, elevating the already-heightened recession fears. The average benchmark yield rose by 122bps to close at 14.27%.

Money Market

In the absence of any significant inflow, the system liquidity remained weak as low market activities kept the interbank rates unaltered. The rates on Open Buy back (OBB) and Overnight transactions remained unchanged at 13.83% and 14.00%.

Foreign Exchange Market

At the CBN Investors & Exporters Window yesterday the value of naira appreciated by N1.55 against the US dollar as the exchange rate closed lower at NGN424.58/\$1. On Wednesday, last week, Nigeria's foreign reserve rose by \$9.95 million to settle at \$39.355 billion.

Oil Market

- Reuters: Oil prices rose modestly yesterday even after U.S. oil inventories rose and U.S. inflation figures bolstered the case for another big Federal Reserve interest rate increase. Brent crude settled inched up by 8 cents to close at \$99.57 a barrel, while U.S. West Texas Intermediate crude gained 46 cents to \$96.30 a barrel.
- While the futures market seems to have caved to recession worries and US inflation data, the physical market remains tight. Key benchmarks, such as Forties crude and U.S. Midland crude, are trading at premiums to the futures market, painting a different picture than what is happening in futures, which have been affected by inflation data that augurs for more rate hikes from big central banks.
- Oil prices were little changed earlier today as investors weighed tight supplies against the prospect of a large U.S. rate hike that would stem inflation and curb crude demand. As of 8:00am this morning, Brent crude futures trades under \$100 per barrel as the benchmark price slipped by 24 cents to settle lower at \$99.33 a barrel.
- According to Howie Lee, an economist at Singapore's OCBC bank, he said that most of the movements in the market are sentiment driven, at the moment, and the trend has caused most of the losses seen in oil markets over the last few weeks. According to him, there has been any significant changes in oil supply fundamentals and that is probably why we still see Brent holding around the \$100 level.

FGN Bond Yields

| Tenor | Open | Close | Change |
|--------------------|--------|--------|--------|
| ^12.75 27-APR-2023 | 6.89% | 6.94% | +0.05 |
| ^16.29 17-MAR-2027 | 10.72% | 10.71% | -0.01 |
| ^12.15 18-JUL-2034 | 12.30% | 12.30% | 0.00 |

Nigerian Treasury Bills Yields

| | | | |
|------------------------|-------|-------|-------|
| 13-OCT-2022 (92 days) | 9.22% | 9.50% | -0.28 |
| 26-JAN-2023 (197 days) | 7.11% | 7.10% | -0.01 |
| 08-JUN-2023 (330 days) | 6.39% | 6.38% | -0.01 |

Nigerian Eurobond Yields

| | | | |
|--------------------|--------|--------|-------|
| 6.375 JUL 12, 2023 | 8.93% | 10.31% | +1.38 |
| 6.50 NOV 28, 2027 | 12.93% | 13.33% | +0.40 |
| 7.875 16-FEB-2032 | 13.83% | 15.06% | +1.23 |

Forex Spot rates

| | | | |
|-----------------|--------|--------|-------|
| I&E Market | 426.13 | 424.58 | -1.55 |
| SMIS Market | 430.00 | 430.00 | 0.00 |
| Parallel Market | 611.00 | 612.00 | +1.00 |

Forex Forward rates

| | | | |
|-----------|--------|--------|-------|
| 1 month | 427.55 | 427.38 | -0.17 |
| 6 months | 449.17 | 448.98 | -0.19 |
| 12 months | 472.14 | 472.72 | +0.58 |

Other Key Indices

| Indicators | Current | Change |
|----------------------------|------------|-------------|
| OBB | 13.83% | 0.00bps |
| O/N | 14.00% | 0.00bps |
| System liquidity (op. bal) | N112.59bn | -110.3bn |
| Foreign reserve | \$39.355bn | +\$9.95mn |
| OPEC Quota | 1.826m bpd | +26,000bpd |
| Nig. Crude output | 1.158m bpd | +134,000bpd |
| Brent Crude | \$99.33 | -\$0.24 |
| FAAC Allocation | N656.602bn | +N24.18bn |

Major Business Headlines

- Inflation pushing Nigeria, others to the brink — IMF:** The International Monetary Fund has said [inflation, debt, and forex crisis is pushing the Nigerian economy and other African economies to the brink](#). The Managing Director of the IMF, Kristalina Georgieva, said ministers of finance and central bank governors on the continent disclosed this to her this week. She added that most countries on the continent could raise money from the global financial markets and do not have large domestic markets to turn to.
- DMO defends FG's 'appetite' for Eurobonds, says it's due to borrowing needs:** Speaking in the statement, DMO said those criticising the government's approach failed to consider its borrowing needs as [captured in the annual budgets, medium-term expenditure framework](#), as well as debt management strategy. Explaining further, it said the borrowing needs were derived from the annual budgets while the borrowing mix was based on the subsisting debt management strategy.
- Mining key to Nigeria's economic diversification:** A former Minister of Education, Prof. Chinwe Obaji has described mining as one of the viable options to diversify the nation's economy. According to her, [the sector could create more jobs and wealth for the citizens](#) if judiciously managed. Obaji spoke during the inauguration of the Girls for Mining in Abuja on Wednesday. She advised the government to take charge of the sector and reduce the influence of foreigners in the sector.