

Fixed Income and Money Market

FGN Bond Market

Last week, the FGN bond market start the week on a quiet note. However, the market inclined into the bearish region during the week, with selling interests seen mostly at the short end and belly of the curve. Notably, there was some positive sentiments at the long end of the curve. As a result, the average benchmark yield rose by 36bps to close at 12.89% and 5-year bond yield remained unaltered 11.90%, week on week.

Nigerian Treasury Bill (NTB)

The treasury bills market was bearish most part of the last week, with selling interests seen mostly on 'November 2022' and 'January 2023' maturities. The market was able to register minimal buying interests on selected maturities across board. Thus, the average bearish market rose by 59bps to close at 8.08%, week-on-week.

Last week, the DMO sold NGN150.62 billion worth of bills, which is the same amount offered. The rates on the 91-day, 182-day and 364-day bills were allotted at 3.50%, 4.50%, and 7.45%, respectively, an increase of 70bps, 40bps and 45bps, respectively, when compared to the previous auction. The bid-to-cover ratio across the three papers stood at 1.76x, 0.93x, and 1.25x, accordingly.

FGN Eurobond Market

FGN Eurobond Market was mostly bullish last week with buying interest seen across several maturities. The bullish run during the week was buoyed by lower inflation expectation, inflation moderation and lower-than-expected Jobless claims. As a result, the average benchmark yield declined by 148bps to close at 10.52%, week-on-week.

Money Market

While net Primary Repayment provided a momentum relief on Thursday. Last week, banks' borrowing from the apex bank, rose by 48%, or 587 billion naira, when compared to the previous week, to NGN983 billion for the month of August, with Standing Lending Facility topping the borrowing window. On Friday, Open Buy back (OBB) and Overnight (O/N) rates soared by 100bps and 150bps to close at 12.00% and 13.00%, respectively, as liquidity condition in the debt market remains tight.

Foreign Exchange Market

At the CBN Investors & Exporters Window on Friday, naira appreciated by 62 kobo against the US dollar as the exchange rate closed lower at NGN429.63/\$1 while it depreciated by 50 kobo, week-on-week. Nigeria's foreign reserve fell by \$166.5 million, week-on-week, to close at \$38.88 billion as of last Friday.

Oil Market

- Bloomberg:** Oil declined Friday but still posted a weekly gain as traders weighed the prospects of higher demand this winter against the potential for Iranian supply to return. Iran said it could accept a European Union-brokered nuclear deal if it receives certain guarantees. The prospect of more oil supply wiped out all gains earlier in the session.
- Aramco followed big oil rivals reporting a surge in profits. Net income rose to \$48.4 billion in the second quarter, up from \$25.5 billion a year earlier, the state-controlled company said on Sunday. Its free cash flow rose by 53% from a year earlier to \$34.6 billion.
- Oil prices dropped for a second session on Monday as [weak China economic data](#) triggered concerns about demand at the world's largest crude importer while the head of the world's top exporter, Saudi Aramco, said it was ready to ramp up output. As of 6.30am, this morning, Brent crude futures fell 97 cents to trade at \$97.18 a barrel after settling 1.5% lower on Friday. U.S. West Texas Intermediate crude trades at \$91.20 a barrel, down 89 cents, after a 2.4% drop in the previous session.

FGN Bond Yields			
Tenor	Open	Close	Change
^12.75 27-APR-2023	9.30%	9.30%	0.00
^16.29 17-MAR-2027	12.87%	12.72%	-0.15
^12.15 18-JUL-2034	13.26%	13.26%	0.00
Nigerian Treasury Bills Yields			
10-NOV-2022 (91 days)	3.94%	3.94%	0.00
9-FEB-2023 (181 days)	10.52%	10.52%	0.00
08-JUN-2023 (300 days)	6.81%	6.81%	0.00
Nigerian Eurobond Yields			
6.375 JUL 12, 2023	7.16%	7.35%	+0.19
6.50 NOV 28, 2027	9.57%	9.79%	+0.22
7.875 16-FEB-2032	10.66%	10.85%	+0.19
Forex Spot rates			
I&E Market	430.25	429.63	-0.62
SMIS Market	430.00	430.00	0.00
Parallel Market	660.00	680.00	+20.00
Forex Forward rates			
1 month	429.88	429.51	-0.37
6 months	453.57	452.54	-1.03
12 months	482.62	482.24	-0.38

What to Know

Fitch Ratings downgraded Ghana's long term sovereign credit rating further by two notches to CCC, or eight levels below investment grade junk, days after a similar decision by S&P Global Ratings.

Coming Up

Today: Nigeria and Botswana inflation data for July will be out, DMO to auction NGN225 billion worth of Bond on behalf of the FGN

Upcoming Events During The Week

Zambia and Namibia interest-rate decisions; South Africa retail sales data for June; Ghana producer inflation for July; European GDP data; The Federal Reserve releases minutes from its July meeting.

What to Expect?

The Nigerian debt market is anticipated to start the week on a quiet note as investors focus on the bond auction. During the week, the market is expected to be influenced by the inflation data coming out later today. Given the weak liquidity condition, the interbank rate is projected to remain double-digit in the absence of any expected inflow.

Given the improved risk appetite among investors, resilient commodities (oil) market and weakened dollar, the FGN Eurobond market is expected to sustain its bullish trend.

Other Key Indices

Indicators	Current	Change
OBB	12.00%	+100bps
O/N	13.00%	+150bps
System liquidity	N41.54bn	-68.83bn
Foreign reserve	\$38.88bn	-0.925mn
OPEC Quota	1.826m bpd	+26,000bpd
Nig. Crude output	1.158m bpd	+134,000bpd
Brent Crude	\$97.18	-\$0.97
FAAC Allocation	N802.407bn	+N145.805bn

Major Business Headlines

- The total debt owed to the World Bank Group by Nigeria rose by \$660m in the first six months of 2022, this is according to data from both the Debt Management Office and the financial statements of the World Bank. The financial statements of the World Bank for fiscal year 2022 show that Nigeria owes the lending [institution \\$13.04bn as of June 30, 2022.](#)
- The Nigeria Port Authority has revealed that 18 Terminal Operators at various ports in the country owe the federal government \$753 million and N1.61 billion (N490billion). This was down from the [\\$852.094 million and N1.878 billion](#) presented in an Audit Query presented to the National House of Representatives by the Office of the Auditor General for the Federation.
- Cashless transactions in Nigeria rose by [40.66 per cent year-on-year to N210.08 trillion](#) in the first seven months of 2022, according to data from the Nigeria Inter-Bank Settlement System, NIBSS. From January to July 2022, N210.08tn was processed on the Nigeria Instant Payment System (NIP) and Point of Sales terminals (PoS), which explain how cashless transactions are monitored on the NIBSS.