

Morning Brew

15th August 2023



Good morning, Colleagues.

The **Treasury Bill market** was quiet yesterday, but with some bullish sentiment on selected maturities, as a result, the average benchmark yield remained unchanged at 7.02%.

The **FGN Bond market** with mixed sentiments on selected maturities. There was selling interest on the 2026 maturity, consequently, the average benchmark yield rose by 6bps to 13.72%. At the FGN Bond auction yesterday, the DMO offered a total of ₦360bn across the 2029, 2033, 2038, and 2053 maturities, against a subscription of ₦312.56bn, and allotted a total of ₦227.76bn. The stop rates closed at 13.85%, 15.00%, 15.20%, and 15.85%, representing an increase of 135bps, 140bps, 110bps, and 155bps, respectively from the previous auction levels.

The **Eurobond market** traded with bearish sentiment across all maturities leading to an increase of 39bps of the average yield, to settle at 11.17%.

Money Market

| | Amount ('bn) | Chg |
|------------------|--------------|-----------|
| System Liquidity | 251.34 | ▼-73.42bn |
| Foreign Reserve | 33.87 | ▼-0.014mn |

The system liquidity decreased by ₦73.42bn yesterday to ₦251.34bn. Consequently, the Open Buy Back rate (OBB) and the Overnight rate (O/N) increased by 300bps to 5.00% and 5.80% respectively.

Foreign Exchange Market

At the I&E FX Window, the value of the Naira depreciated by ₦3.81 to ₦744.41/\$, and in the parallel market, the rate remained unchanged at ₦945/\$.

The foreign reserve decreased by \$14,242,601.94 on the 11th of August to \$33.87bn.

Oil Market

Reuters: Oil prices finished down on Monday on worries about China's faltering economic recovery and a stronger dollar were taking the momentum out of seven weeks of gains on tight supply.

With fading hope China's economy will return to pre-pandemic levels of demand, oil markets have little to pin their hopes to for future growth, said Walter Zimmerman, chief technical analyst with ICAP-TA.

A stronger dollar pressures oil demand by making the commodity more expensive for buyers holding other currencies.

Separately on Monday, a Shell (SHEL.L) spokesperson said exports of Nigeria's Forcados crude oil resumed on Sunday, roughly a month after loadings of the medium sweet grade were suspended because of a potential leak at the export terminal.

The suspension contributed to Nigeria becoming the second-biggest contributor to the drop in OPEC crude oil output in July, a Reuters survey showed.

| | Rate % | Change % |
|-------------|--------|----------|
| OPR | 5.00 | ▲3.00 |
| O/N | 5.80 | ▲3.00 |
| Repo | | |
| Call | 1.88 | ▼-0.13 |
| 1M | 6.75 | ▲0.44 |
| 3M | 7.44 | ▼-0.25 |
| 6M | 8.44 | ▼-0.31 |

| Spot | Rate (\$/N) | Chg (NGN) |
|-------------------|-------------|-----------|
| I&E FX Window | 744.41 | ▲ 3.81 |
| Parallel Market | 945.00 | ■ 0.00 |
| ▲▲Forwards | | |
| 1M | 789.77 | ▼ -4.90 |
| 2M | 799.16 | ▼ -3.25 |
| 3M | 808.58 | ▼ -4.67 |
| 6M | 825.96 | ▼ -12.32 |
| 1Y | 896.49 | ▼ -1.60 |

| NIGERIAN TREASURY BILLS | | | | |
|-------------------------|---------------|-----------|------------|--|
| DTM | Maturity Date | Yield (%) | Change (%) | |
| 10 | 24-Aug-23 | 3.88 | ■ 0.00 | |
| 24 | 07-Sep-23 | 4.14 | ■ 0.00 | |
| 73 | 26-Oct-23 | 5.82 | ■ 0.00 | |
| 87 | 09-Nov-23 | 5.32 | ■ 0.00 | |
| 115 | 07-Dec-23 | 5.86 | ■ 0.00 | |
| 164 | 25-Jan-24 | 6.83 | ■ 0.00 | |
| 178 | 08-Feb-24 | 7.12 | ■ 0.00 | |
| 206 | 07-Mar-24 | 7.70 | ■ 0.00 | |
| 241 | 11-Apr-24 | 8.45 | ▼ -0.01 | |
| 269 | 09-May-24 | 9.07 | ▼ -0.01 | |
| 297 | 06-Jun-24 | 9.94 | ▼ -0.01 | |
| 332 | 11-Jul-24 | 10.17 | ▼ -0.01 | |

| FGN Bond | | | | |
|----------------------|---------------|-----------|-----------|------------|
| Description | Maturity Date | TIM (Yrs) | Yield (%) | Change (%) |
| ▲13.53 23-MAR-2025 | 23-Mar-25 | 1.61 | 10.68 | ▼ -0.01 |
| ▲12.50 22-JAN-2026 | 22-Jan-26 | 2.44 | 12.85 | ▲ 6.55 |
| ▲16.2884 17-MAR-2027 | 17-Mar-27 | 3.59 | 12.52 | ▼ -0.04 |
| ▲13.98 23-FEB-2028 | 23-Feb-28 | 4.53 | 13.20 | ■ 0.00 |
| ▲14.55 26-APR-2029 | 26-Apr-29 | 5.70 | 13.14 | ▼ -0.01 |
| ▲12.50 27-APR-2032 | 27-Apr-32 | 8.70 | 13.85 | ▲ 0.01 |
| ▲12.1493 18-JUL-2034 | 18-Jul-34 | 10.93 | 14.00 | ■ 0.00 |
| ▲12.50 27-MAR-2035 | 27-Mar-35 | 11.62 | 14.00 | ▲ 0.01 |
| ▲12.40 18-MAR-2036 | 18-Mar-36 | 12.59 | 14.01 | ▲ 0.01 |
| ▲16.2499 18-APR-2037 | 18-Apr-37 | 13.68 | 14.90 | ■ 0.00 |
| ▲13.00 21-JAN-2042 | 21-Jan-42 | 18.44 | 15.04 | ■ 0.00 |
| ▲14.80 26-APR-2049 | 26-Apr-49 | 25.70 | 15.02 | ■ 0.00 |
| ▲12.98 27-MAR-2050 | 27-Mar-50 | 26.62 | 15.12 | ■ 0.00 |

| FGN Eurobond | | | |
|--------------------|---------------|-----------|------------|
| Description | Maturity Date | Yield (%) | Change (%) |
| 7.625 21-NOV-2025 | 21-Nov-25 | 10.44 | ▲ 0.55 |
| 6.50 NOV 28, 2027 | 28-Nov-27 | 11.03 | ▲ 0.47 |
| 6.125 SEP 28, 2028 | 28-Sep-28 | 10.86 | ▲ 0.45 |
| 8.375 MAR 24, 2029 | 24-Mar-29 | 11.13 | ▲ 0.48 |
| 7.143 FEB 23, 2030 | 23-Feb-30 | 11.18 | ▲ 0.46 |
| 8.747 JAN 21, 2031 | 21-Jan-31 | 11.17 | ▲ 0.43 |
| 7.875 16-FEB-2032 | 16-Feb-32 | 11.18 | ▲ 0.36 |
| 7.375 SEP 28, 2033 | 28-Sep-33 | 11.15 | ▲ 0.37 |
| 7.696 FEB 23, 2038 | 23-Feb-38 | 11.40 | ▲ 0.33 |
| 7.625 NOV 28, 2047 | 28-Nov-47 | 11.33 | ▲ 0.24 |
| 9.248 JAN 21, 2049 | 21-Jan-49 | 11.54 | ▲ 0.23 |
| 8.25 SEP 28, 2051 | 28-Sep-51 | 11.57 | ▲ 0.32 |

What else is brewing and market expectations?

We expect the Eurobond market to be influenced by market news and information. We expect the Bond market and Treasury bill market to trade quietly.

We expect the interbank rate to rise.

Major Business Headlines

CBN warns new FX Policy 'coming soon' will lead to losses for speculators: The acting governor of the Central Bank of Nigeria, CBN, Fola Shonubi warned speculators of potential losses as [they implement a new policy to stabilize the exchange rate.](#)

Nigeria's Crude Oil Underproduction Losses Hit N6.8tn in Seven Months: [Nigeria's inability to ramp up production to meet the Organisation of Petroleum Exporting Countries \(OPEC\) output quota cost the country a gross loss of about N6.8 trillion](#) in the first seven months of 2023, THISDAY analysis of available industry data has revealed.

Gas expansion projects to gulp \$20bn yearly – FG: The Federal Government, [on Monday, said about \\$20bn annual investments would be needed to achieve the desired gas expansion projects in Nigeria](#) and deepen the use of gas across the country.