

Fixed Income and Money Market

FGN Bond Market

FGN bond market closed on a bearish note yesterday with slight selling interests seen on short end of the curve, however, few buying interests were seen on selected long-term maturities. As a result, the average benchmark yield increased by 5 basis points (bps) to 12.07%.

Nigerian Treasury Bill (NTB)

Nigerian treasury bill market registered a quiet session yesterday with slight buying interest seen on few maturities. Overall, the average benchmark yield remained unchanged at 7.23%.

FGN Eurobond Market

FGN Eurobond market extended its bullish trend for the fourth consecutive day yesterday, as the European Union Governing Council decided to raise the three key ECB interest rates by 50 basis points and approved the Transmission Protection Instrument – an instrument that will allow the European Central Bank to buy bonds of countries it believes are experiencing an unwarranted deterioration in financing conditions. Thus, the average benchmark yield plunged by 36bps to 13.20%.

Money Market

In the interbank space yesterday, System liquidity remained low as banks seek additional repurchase agreement (repo) and standing lending facility (SLF), keeping the interbank rates elevated. The rates on Open Buy back (OBB) transactions slipped by 8bps to close at 14.75% while Overnight (O/N) transactions remained unchanged at 15.00% respectively.

Foreign Exchange Market

The value of naira appreciated by 58 kobo against the US dollar at the CBN Investors & Exporters Window yesterday, as the exchange rate closed lower at NGN426.00/\$1. As of last Friday, the Nigeria's foreign reserves stands at \$39.440 billion.

Oil Market

- Reuters: Oil prices fell more than \$3 a barrel on Thursday on higher U.S. gasoline stockpiles and after a European Central Bank (ECB) rate hike stoked demand worries, while returning oil supply from Libya and the resumption of Russia's gas flows to Europe eased supply restraints.
- Russia resumed pumping gas via its biggest pipeline to Europe on Thursday after a 10-day outage, allaying some of Europe's immediate supply fears but not enough to end the threat of rationing to cope with potential winter shortages. Supplies via Nord Stream 1, which runs under the Baltic Sea to Germany, were halted for maintenance on July 11 but, even before that outage, flows had been cut to 40% of the pipeline's capacity in a dispute sparked by Russia's invasion of Ukraine.
- The European Central Bank on Thursday joined many other central banks in raising interest rates, focusing on fighting runaway inflation rather than the economic downturn, which can weigh on oil demand. While the Fed officials have indicated that the central bank would likely raise rates by 75 basis points at its July 26-27 meeting.
- Oil prices climbed in Asia trading on Friday, rebounding from previous declines on supply tightness and geopolitical tensions even though weakened demand in the United States has cast a shadow on the market this week. Brent crude prices rose by \$1.12 to trade at \$105.00 a barrel as of 7.10 am this morning.

FGN Bond Yields

Tenor	Open	Close	Change
^12.75 27-APR-2023	7.25%	7.25%	0.00
^16.29 17-MAR-2027	10.72%	11.72%	0.00
^12.15 18-JUL-2034	12.40%	12.40%	0.00

Nigerian Treasury Bills Yields

13-OCT-2022 (84 days)	9.19%	9.19%	0.00
26-JAN-2023 (189 days)	7.81%	7.80%	-0.01
08-JUN-2023 (323 days)	6.37%	6.37%	0.00

Nigerian Eurobond Yields

6.375 JUL 12, 2023	10.07%	9.49%	-0.18
6.50 NOV 28, 2027	13.09%	12.63%	-0.46
7.875 16-FEB-2032	14.15%	13.88%	-0.27

Forex Spot rates

I&E Market	426.58	426.00	-0.58
SMIS Market	430.00	430.00	0.00
Parallel Market	630.00	641.00	+11.00

Forex Forward rates

1 month	427.48	427.46	-0.02
6 months	448.07	447.95	-0.12
12 months	471.47	471.25	-0.22

Other Key Indices

Indicators	Current	Change
OBB	14.75%	-8bps
O/N	15.00%	00bps
System liquidity (op. bal)	N76.31bn	-92.67bn
Foreign reserve	\$39.44bn	+10.91mn
OPEC Quota	1.826m bpd	+26,000bpd
Nig. Crude output	1.158m bpd	+134,000bpd
Brent Crude	\$105.00	+\$1.20
FAAC Allocation	N656.602bn	+N24.18bn

Major Business Headlines

- Ogun, Lagos Sign MoU on 31Km Redline Rail Project:** Ogun State and Lagos State have signed memorandum of understanding (MoU) on the 32km redline rail project. The project when completed would run from Oyingbo in Lagos to Agbado in Ogun State. Speaking during the signing of the MoU, Secretary to the Ogun State Government, Mr. Tokunbo Talabi, said the passenger train would [begin operations in the first quarter of 2023](#). Talabi said the project was another significant achievement in the series of developments engendered by the Lagos/Ogun Joint Commission.
- Nigeria on fiscal cliff as debt service trounces revenue:** Hard times are already here for the Federal Government, hard, as its debt servicing exceeded retained revenue by as much as N310 billion in the first four months of 2022. This is the first time the country's debt service to [revenue ratio would hit or exceed 100 per cent](#). Detailed analysis of the overview of the fiscal position of the first quarter (January to April) showed that the FG spent N1.93 trillion on debt servicing, which was about 20 per cent higher than the retained revenue pegged at N1.63 trillion for the same period.
- \$33.4bn pension funds'll boost infrastructure, sustain growth:** The Coronation Asset Management has said Nigeria can make use of domestic pensions rather than global debt for national development. It also said the country can unlock [sustainable growth by leveraging its risk-managed long-term funds](#). It said this in a report titled 'Unlocking Nigeria's \$33.4bn pensions pot for growth'. The report said, "As of March 2022, the assets under management of the Nigerian pensions fund industry were valued at the equivalent of \$33.4bn. Representing 19 per cent of the Nigerian GDP, these funds, correctly invested and deployed, present an opportunity for the country to address its \$100bn annual infrastructure shortfall."
- [BOJ retains easy policy. Kuroda shuns chance of near-term rate hike](#)