

Morning Brew

26th July 2023



Let's take a closer look at what's brewing today!

The Eurobond market maintained its bullish momentum, fuelled by high expectations from market participants. All eyes are on the US Federal Open Market Committee (FOMC) as investors eagerly anticipate a 25 basis-point interest rate hike. Chair Jerome Powell's words are closely monitored for hints about the likelihood of another hike in the pipeline. At the end of the trading session yesterday, the average benchmark rate witnessed a dip of 5 bps, settling at 10.42%.

Moving on to the FGN Bond market, things were relatively tepid as investors turned their attention to the outcome of the concluded CBN MPC meeting. However, selling interests in the "April 2029" maturity nudged the market's performance into a bearish region. Consequently, the market's average yield increased by 1 basis point (bps), closing at 12.90%.

Meanwhile, in the Nigerian Treasury Bills market, activities were subdued with fewer buying interests across maturities. This resulted in the average benchmark yield remaining unchanged at 4.05%.

Over in the Money Market, liquidity received a boost from FAAC allocation inflows, leading to a plunge in interbank rates. Banks' activities at the standing lending facility (SLF) also saw a decrease, reaching a 4-day low of NGN73 billion. The Open Buy Back rate (OBB) experienced a notable decline of 543 basis points, settling at 14.00%, while the Overnight rate (O/N) dropped by 498 basis points, resting at 14.86%.

In the Foreign Exchange Market, fluctuations are minimal. At the I&E window, Naira depreciated against the US dollar, with the exchange rate declining by 62 kobo, settling at NGN791.42 per dollar. Meanwhile, at the parallel market, the Naira maintained its stability, holding steady at NGN867 per dollar. Nigeria's foreign reserves stood at \$33.99 billion as of Friday, July 21st, 2023.

Oil market

Reuters: Oil prices pulled back from three-month highs on Wednesday as industry data showed a build in U.S. crude inventories and investors remained cautious ahead of an expected Federal Reserve rate hike later in the day.

As of 7:23 am, Brent crude futures slipped 38 cents, or 0.45%, to \$83.26 a barrel, while U.S. West Texas Intermediate (WTI) crude was at \$79.22, down 41 cents, or 0.51%.

U.S. crude stocks rose by about 1.32 million barrels in the week ended July 21, according to market sources citing American Petroleum Institute figures on Tuesday. Analysts polled by Reuters had expected a 2.3-million-barrel drawdown.

The market is largely expecting the Fed to hike rates today, any signals that they still have more to do after this would likely put some pressure on risk assets. While the market will continue to be in a tug-of-war between tightening global supply and fears of slowing demand due to the global economic slowdown. The U.S. dollar has been on a gradual uptrend, rebounding from a 15-month low last week and making it more expensive for buyers to procure commodities such as oil.

FGN Bond

Description	TTM (Yrs)	Yield (%)	Change (%)
^13.53 23-MAR-2025	1.66	9.01	▼ -0.01
^12.50 22-JAN-2026	2.50	11.00	▬ 0.00
^16.2884 17-MAR-2027	3.64	11.81	▬ 0.00
^13.98 23-FEB-2028	4.58	12.40	▬ 0.00
^14.55 26-APR-2029	5.75	12.58	▲ 0.13
^12.50 27-APR-2032	8.76	13.48	▬ 0.00
^12.1493 18-JUL-2034	10.98	13.42	▬ 0.00
^12.50 27-MAR-2035	11.67	13.55	▬ 0.00
^12.40 18-MAR-2036	12.65	13.88	▬ 0.00
^16.2499 18-APR-2037	13.73	14.21	▬ 0.00
^13.00 21-JAN-2042	18.49	14.02	▬ 0.00
^14.80 26-APR-2049	25.75	14.24	▬ 0.00
^12.98 27-MAR-2050	26.67	14.12	▬ 0.00

FGN Eurobond

Description	TTM (Yrs)	Yield (%)	Change (%)
7.625 21-NOV-2025	2.32	8.96	▼ -0.07
6.50 NOV 28, 2027	4.34	8.96	▼ -0.07
6.125 SEP 28, 2028	5.18	10.04	▼ -0.06
8.375 MAR 24, 2029	5.66	10.38	▼ -0.04
7.143 FEB 23, 2030	6.58	10.41	▼ -0.04
8.747 JAN 21, 2031	7.49	10.57	▼ -0.05
7.875 16-FEB-2032	8.56	10.62	▼ -0.05
7.375 SEP 28, 2033	10.18	10.68	▼ -0.04
7.696 FEB 23, 2038	14.58	11.07	▼ -0.05
7.625 NOV 28, 2047	24.34	11.00	▼ -0.04
9.248 JAN 21, 2049	25.49	11.21	▼ -0.03
8.25 SEP 28, 2051	28.18	11.13	▼ -0.05

Nigerian Treasury Bills

DTM	Maturity	Yield (%)	Change (%)
30	24-Aug-23	2.25	▬ 0.00
44	7-Sep-23	2.42	▬ 0.00
93	26-Oct-23	3.02	▬ 0.00
107	9-Nov-23	3.20	▬ 0.00
135	7-Dec-23	3.55	▬ 0.00
184	25-Jan-24	4.18	▬ 0.00
198	8-Feb-24	4.36	▬ 0.00
226	7-Mar-24	4.72	▬ 0.00
261	11-Apr-24	5.20	▬ 0.00
289	9-May-24	5.58	▬ 0.00
317	6-Jun-24	6.02	▬ 0.00

What else is brewing and market expectations

Investors are expected to react to the 25 bps hike (to 18.75%) in the Monetary Policy rate. Thus, we anticipate some selling interests on short-term maturities, albeit minimal, as the liquidity in the system remains relatively high. Additionally, we expect little reaction in the money market as FAAC inflows are projected to offset potential reactions, leading the interbank rates to settle closer to yesterday's closing rates.

In the Eurobond market, we anticipate the bullish trends to persist if the US FOMC outcome aligns with market expectations.

Major Business News

MACROECONOMIC OUTLOOK- IMF Retains Nigeria's 2023 Growth Projection at 3.2%:

The International Monetary Fund (IMF) has maintained its 2023 growth forecast for Nigeria at 3.2 per cent and three per cent for 2024, same figures it had projected for the country in April 2023. The Washington-based institution made the projections in its latest World Economic Outlook (WEO) released yesterday. In the report titled, 'Near-Term Resilience Persistent Challenges' it also predicted that Sub-Saharan Africa (SSA) would experience a decrease in growth, projected at 3.5 per cent in 2023, followed by a recovery to 4.1 per cent in 2024. Similarly, [it estimated that Nigeria's growth prospects for 2023 and 2024 were anticipated to gradually decline](#), aligning with the projections made in April, primarily due to security concerns in the oil sector. It states: "In sub-Saharan Africa, growth is projected to decline to 3.5 per cent in 2023 before picking up to 4.1 per cent in 2024. Growth in Nigeria in 2023 and 2024 is projected to gradually decline, in line with April projections, reflecting security issues in the oil sector.

FOREX MARKET - 15% growth in money supply pressuring naira in FX market -CPPE:

The Centre for the Promotion of Private Enterprise (CPPE), has disclosed that broad money which grew by over N9 trillion, [from N55.7 trillion to N64.9trillion](#) is pressuring the naira in the foreign exchange market. President of the centre, Dr. Muda Yusuf, who made the remark in his statement titled: "The Naira Exchange Rate Conundrum," noted that there is a curious surge in monetary expansion in the last one month, adding that money supply grew by an unprecedented 15 percent in one month between May and June 2023. Dr. Yusuf said the surge in monetary growth is unprecedented and therefore advised the monetary authorities to investigate the drastic growth in money supply and take steps to curb subsequent expansion, noting that such dramatic growth poses a significant risk to macroeconomic stability, especially in prices.

Money Market

Tenor	Rate (%)	Change (%)
OPR	14.00	▼ -5.43
O/N	14.86	▼ -4.98
Repo		
Call	2.63	▼ -1.12
1M	5.19	▲ 0.69
3M	5.25	▲ 0.75
6M	5.44	▲ 0.63

Forex Market

Spot	Rate (\$/N)	Change
I&E FX Window	791.42	▼ -0.62
Parallel Market	867.00	▬ 0.00
ΛΛForwards		
1M	804.02	▲ 10.11
2M	816.27	▲ 13.95
3M	827.05	▲ 15.00
6M	861.75	▲ 27.20
1Y	930.45	▲ 41.70

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