

Fixed Income and Money Market

FGN Bond Market

Last week, FGN bond market was mostly bearish with selling interests seen on the short and long ends of the curve. As a result, the average benchmark yield soared by 16 basis points (bps) to close at 13.18%, week-on-week.

Nigerian Treasury Bill (NTB)

The treasury bills market was mostly quiet most part of the week due to primary market auction, however, few buying interests at the end of the week pushed the weeklong market activities into the bullish region. Week-on-week, the average benchmark rate slipped by 1bp to close at 8.05%.

Last week, DMO sold ₦295.53 billion worth of bills, which was the same amount offered. The rates on the 91-day, 182-day and 364-day notes were allotted at 4.00%, 5.00%, and 8.50%, respectively. Compared to the last auction, the rates on the 91-day, 182-day and 364-day bill rose by 50bps, 50bps and 105bps, respectively. The bid-to-cover ratio across the three bills stood at 1.76x, 0.93x, and 1.25x, accordingly.

FGN Eurobond Market

While the FGN Eurobond started the week on a positive note, the market experienced some improved sentiments. However, on Friday, the market experienced some selloffs on selected maturities as Powell, US Federal Reserve chair reinforces his stand to fight inflation at the Jackson Hole conference. Overall, the average benchmark yield declined by 23bps to close at 11.94% at the end of the week, leveraging on the bullishness during the week.

Money Market

In the interbank space, banks seek additional repurchase agreement (repo) and Standing Lending Facility (SLF) to bolster their liquidity. Last week, Repo and SLF grew by NGN463.29 billion and NGN391.3 billion respectively. On Friday last week, Open Buy back (OBB) and Overnight (O/N) transactions plummeted by 117bps and 133bps to 13.50% and 13.67% respectively.

Foreign Exchange Market

At the CBN Investors & Exporters Window on Friday, the value of naira appreciated by NGN0.34 against the US dollar as the exchange rate settled lower at NGN430.33/\$1. Week-on-week, Naira depreciated by NGN1.28. Nigeria's foreign reserve increased by \$234.42million to settle at \$39.18billion as of today.

Oil Market

- *Reuters*: Oil climbed as traders weighed risks to the supply outlook against pledges from leading central banks to raise interest rates further. Meanwhile, expectations that OPEC would cut output if needed to support prices, coupled with conflict in Libya and rising demand amid soaring natural gas prices in Europe, helped offset a dire outlook for U.S. growth.
- BMO Capital Markets said in a new report that despite rising costs, oil and gas producers globally are expected to book new records in cash flows and offer the best return on capital employed (ROCE) in 15 years. Stronger oil and gas prices will be the key driver of record cash flows in the industry, according to an analysis by BMO Capital Markets of 120 oil and gas firms globally. The oil and gas sector's return on capital employed (ROCE) could hit next year the highest level since the 2008 financial crisis, with ROCE possibly topping 25% by 2023.
- As of 7.45am this morning, Brent crude futures gained 11 cents to trade at \$101.1 a barrel.

Other Key Indices		
Indicators	Current	Change
OBB	13.50%	-117bps
O/N	13.67%	-133bps
System liquidity	N106.58bn	-37.95bn
Foreign reserve	\$39.18bn	+\$234.42mn
OPEC Quota	1.826m bpd	+26,000bpd
Nig. Crude output	1.158m bpd	+134,000bpd
Brent Crude	\$101.1	+\$0.11
FAAC Allocation	N954.09bn	+N151.68bn

Major Business Headlines

- **CBN: Diaspora Remittances Through Naira4Dollar Scheme Hits \$2.4bn in Eight Months:** The Director of Trade and Exchange Department, Central Bank of Nigeria (CBN), Dr. Ozoemena Nnaji has revealed that diaspora remittances through the 'Naira 4 Dollar Scheme' stood at [\\$2.4 billion the first eight months](#) of 2022. She noted that the inflow has been strong, pointing out that in the entire 2021, remittances recorded through the scheme were a total of \$2.9 billion whereas eight months into 2022, Nigeria had already recorded \$2.4 billion.
- **Aviation sector's GDP crashes by 61% amid crisis:** The foreign exchange and fuel crises that have plagued the aviation sector seem to have led to a decline in the sector's contribution to the Gross Domestic Product by 61.47 per cent. [The nominal GDP output of the sector crashed from N84.73bn in the first quarter of 2022 to N32.65bn](#) by the second quarter of the year, according to the latest Q2 2022 GDP data from the National Bureau of Statistics.
- **Electricity crisis: FG, private sector to produce 3,595MW:** Two ministries of the Federal Government are in partnership with the private sector [to add 3,595 megawatts of electricity to the country's power grid](#). Documents obtained from the Federal Ministry of Water Resources showed that the ministry was collaborating with the Federal Ministry of Power and private sector operators through the Public Private Partnership arrangement to generate 3,595MW of electricity from dams.

FGN Bond Yields

Tenor	Open	Close	Change
^12.75 27-APR-2023	6.99%	7.06%	+0.07
^16.29 17-MAR-2027	12.71%	13.05%	+0.34
^12.15 18-JUL-2034	13.26%	13.26%	0.00

Nigerian Treasury Bills Yields

10-NOV-2022 (76 days)	3.93%	3.93%	0.00
9-FEB-2023 (167 days)	10.48%	10.48%	0.00
08-JUN-2023 (286 days)	6.79%	6.79%	0.00

Nigerian Eurobond Yields

6.375 JUL 12, 2023	9.06%	9.10%	+0.04
6.50 NOV 28, 2027	11.40%	11.33%	-0.07
7.875 16-FEB-2032	12.26%	12.33%	+0.07

Forex Spot rates

I&E Market	430.67	430.33	-0.34
SMIS Market	430.00	430.00	0.00
Parallel Market	687.00	695.00	+8.00

Forex Forward rates

1 month	429.45	429.02	-0.43
6 months	450.42	451.35	+0.93
12 months	478.40	478.51	+0.11

What to expect today?

Nigerian debt market is expected to witness some cherry-picking this week, leveraging on positive growth seen in second quarter of this year. However, the market is still expected to record some risk-off sentiments in some of its short-dated & long-dated maturities as investors hunts for high yields.

FG Eurobond market is expected to carry forward its Friday's bearish sentiment into the week as Powell delivered a blunt remark at the Jackson Hole Conference on Friday, erasing any hope of easing the hawkish stance by the monetary authority.