

Morning Brew

31st August 2023



Let's take a look at what went down yesterday across various markets!

Fixed Income

The FGN Eurobond market concluded on a bearish note yesterday due to increased political instability in Africa, with a military coup in Gabon. Additionally, the US reported softer job data, with only 177,000 jobs added instead of the analysts' forecasted figure of 195,000. Consequently, the average benchmark yield rose by 6bps, settling at 11.02%.

The FGN Bond market was bearish yesterday, with mixed interests observed along the short end and at the belly of the curve. Consequently, the average benchmark yield increased by 9 basis points (bps) to close at 14.22%.

The Treasury bill market recorded moderate activity yesterday as buying sentiment on the "November-2023" maturity pushed the overall market's performance into a bullish region. As a result, the average benchmark yield declined by 4bps to close at 6.73%.

At the interbank space yesterday, system liquidity rose further to NGN640.08 billion, keeping interbank rates at the lower band of single digits. Similarly, activity at the standing lending facility (SLF) window fell further to NGN38 billion. At the end of the trading session, the Open Buy Back (OBB) rate rose by 8bps to close at 2.58bps, while the Overnight (O/N) rate plunged by 10bps at 3.00%.

The Naira strengthened by 37.16 naira against the US dollar at the I&E window, leading to a lower exchange rate of NGN738.18 per dollar. Meanwhile, in the parallel market, the Naira steadied at NGN920 per dollar. Additionally, as of Thursday, August 31st, Nigeria's foreign reserves received a boost of \$300.4 million, pushing the balance to \$33.954 billion.

Oil Market

Oil prices eased on Thursday after data showed China's manufacturing activity shrank for the fifth month in a row, and as investors cautiously awaited a U.S. personal consumption expenditure report later in the day for any clues on the interest rate outlook.

As at 7:30 am, Brent crude futures for October, which expire on Thursday, dipped 9 cents, or 0.1%, at \$85.77 per barrel. The more active November contract was down 10 cents, or 0.1%, at \$85.14.

U.S. West Texas Intermediate crude futures for October eased 6 cents, or 0.1%, at \$81.57. China's manufacturing activity again in August, an official factory survey showed on Thursday, fuelling concerns around weakness in the world's second-biggest economy. The official purchasing managers' index (PMI) rose to 49.7 from 49.3 in July, according to the National Bureau of Statistics, but remained below the 50-point level demarcating contraction from expansion.

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FGN Bond				
Description	TTM (Yrs)	Yield (%)	Change (%)	
^13.53 23-MAR-2025	1.56	11.75	▲	1.13
^12.50 22-JAN-2026	2.40	13.00	▼	-0.08
^16.2884 17-MAR-2027	3.55	13.05	▬	0.00
^13.98 23-FEB-2028	4.48	13.75	▲	0.14
^14.55 26-APR-2029	5.66	14.00	▼	-0.01
^12.50 27-APR-2032	8.66	14.61	▬	0.00
^12.1493 18-JUL-2034	10.88	14.35	▬	0.00
^12.50 27-MAR-2035	11.57	14.72	▲	0.00
^12.40 18-MAR-2036	12.55	14.75	▬	0.00
^16.2499 18-APR-2037	13.63	15.19	▬	0.00
^13.00 21-JAN-2042	18.40	15.04	▬	0.00
^14.80 26-APR-2049	25.66	15.22	▬	0.00
^12.98 27-MAR-2050	26.57	15.40	▬	0.00

FGN Eurobond				
Description	TTM (Yrs)	Yield (%)	Change (%)	
7.625 21-NOV-2025	2.23	10.07	▲	0.11
6.50 NOV 28, 2027	4.24	10.50	▲	0.09
6.125 SEP 28, 2028	5.08	10.44	▲	0.07
8.375 MAR 24, 2029	5.57	11.05	▲	0.03
7.143 FEB 23, 2030	6.48	11.04	▲	0.06
8.747 JAN 21, 2031	7.39	11.14	▲	0.08
7.875 16-FEB-2032	8.46	11.13	▲	0.06
7.375 SEP 28, 2033	10.08	11.14	▲	0.07
7.696 FEB 23, 2038	14.48	11.40	▲	0.05
7.625 NOV 28, 2047	24.24	11.24	▲	0.05
9.248 JAN 21, 2049	25.39	11.51	▲	0.04
8.25 SEP 28, 2051	28.08	11.55	▲	0.04

Nigerian Treasury Bills				
DTM	Maturity	Yield (%)	Change (%)	
8	7-Sep-23	2.25	▬	0.00
57	26-Oct-23	3.58	▬	0.00
71	9-Nov-23	3.52	▼	-0.45
99	7-Dec-23	4.75	▬	0.00
148	25-Jan-24	6.15	▬	0.00
162	8-Feb-24	6.57	▬	0.00
190	7-Mar-24	7.40	▬	0.00
225	11-Apr-24	8.49	▬	0.00
253	9-May-24	9.39	▬	0.00
281	6-Jun-24	10.33	▬	0.00
316	11-Jul-24	11.55	▬	0.00

Investors are eyeing inflation numbers as measured by the U.S. personal consumption expenditures, which will be released on Thursday. The PCE is the Federal Reserve's preferred gauge of inflation. For now, oil prices are headed for a weekly climb, with U.S. government data showing tighter-than-expected crude supplies, while a military coup in Gabon, an OPEC member, also raised fears of crude oil supply disruptions.

Analysts expect Saudi Arabia to roll over a voluntary oil cut of 1 million barrels per day for a third consecutive month into October, adding to the cuts in place by OPEC+, the Organization of the Petroleum Exporting Countries and allies led by Russia.

Market Expectations

The Eurobond market is anticipated to extend a bearish trend amidst heightened political instability in Africa while investors look forward to the US inflation data. Similarly, the FGN Bond market is expected to sustain its bearish trend as yields remain unattractive while the T-bill market is anticipated to maintain a vibrant trading activity with cherry-picking on some maturities.

With improved liquidity in the market, we expect the interbank rates to close at similar levels.

Major Business Headlines

Rising Skills Gap Will Endanger Nigeria's \$75.6bn Telecoms Sector: Telecoms' policy analyst, and convener of Policy Implementation Assisted Forum (PIAFo), Mr. Omobayo Azeez, has warned that the rising skills gap challenge in the Nigerian telecommunications sector will constitute a major threat to the future of the \$75.6 billion telecoms industry. He noted this while delivering a keynote presentation on the theme: ["Bridging Skills Gap to Accelerate the Indigenous Telecoms Development,"](#) at the just concluded second edition of the Nigerian Telecommunications Indigenous Content Expo (NTICE 2023) organised by the Nigerian Communications Commission (NCC), in Lagos. He said for the sector to continue to thrive, telecoms companies require professionals with skills in various areas such as cybersecurity, data analytics, wireless network engineering, software development, fibre optics engineering, IP networking skills, cloud computing, and VSAT engineering among others, which he said, were not sufficiently available at the moment.

Money Market			
Tenor	Rate (%)	Change (bps)	
OPR	2.58	▲	0.08
O/N	3.00	▼	-0.10
REPO			
Call	3.88	▬	0.00
1M	6.38	▬	0.00
3M	7.45	▬	0.00
6M	8.56	▬	0.00

Foreign Exchange Market			
Spot	Rate (\$/N)	Change (NGN)	
I&E FX Window	738.18	▼	-37.16
Parallel Market	920.00	▬	0.00
^^Forwards			
1M	794.77	▼	-0.15
2M	805.20	▼	-0.19
3M	815.26	▼	-0.13
6M	847.03	▲	1.36
1Y	909.47	▲	1.56

Indicators	Current	Change
OPEC Quota	1.747	79,000 bpd
System liquidity	640.08 bn	300.36 bn
Foreign reserve	\$33.954 bn	\$300.916 Mn
Nig. Crude output	1.08 mbpd	190,000 bpd
FAAC Allocation (NGN)	966.11 BN	59.06 BN
Brent Crude	\$85.81	\$0.10
Gold	\$1,917.30	(\$1.70)

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