

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

CBN Monetary Policy Committee (MPC) Meeting Outcomes:

During its two-day monetary policy meeting in July, the Central Bank of Nigeria (CBN) decided to raise its monetary policy rate (MPR) by 25 bps to 18.75%. Additionally, the asymmetric corridor around the MPR was adjusted from +100/-700 bps to +100/-300 bps, while keeping other policy settings unchanged. The real policy rate is still negative at -4.04% due to the high double-digit inflation rate, thus the 25-bps hike remained comfortably accommodative.

What does this asymmetric corridor adjustment mean?

Going forward, the CBN will now lend money to banks at 19.75% (MPR+100 bps) in the standing lending facility (SLF) window, while compensating banks at a higher rate of 15.75% (MPR-300 bps) in the standing deposit facility (SDF) window. To further strengthen its monetary transmission mechanism, it is anticipated that the Apex Bank will adjust the daily bank deposit limit of NGN2 billion at SDF. As a result of this adjustment, the opportunity cost of capital for banks has increased, signalling higher lending rates.

Hawkish Moves - Maybe, Next Year

The Federal Reserve's decision to raise its policy rate by a quarter percentage point brought the fed funds rate to a target range of 5.25%-5.5%. This marks the highest benchmark borrowing costs in over 22 years, with the increase being the 11th time the FOMC has raised rates since the tightening process began in March 2022. Will there be more hikes this year? Markets seem to think not, as they are pricing in a better-than-even chance of no more moves this year.

Similarly, the European Central Bank also got in on the action, raising interest rates by 25 basis points, elevating the benchmark rate in the euro area to an eye-popping 3.75%. This matches the highest rate since the launch of the euro currency in 1999, with borrowing costs reaching this level previously only in October 2000.

What do these hikes mean for Nigeria's economy?

In the quest to improve forex liquidity, these rate hikes pose a significant threat to attracting foreign portfolio investment. Developed countries are positioning themselves as better investment destinations and safe havens, delaying the likelihood of achieving stability in the Nigerian forex market and attracting liquidity. Consequently, foreign portfolio investment may not be a reliable source of foreign exchange earnings in the short term due to the high-interest rate environment in developed economies. The stakes are high, as it might delay the much-desired stability in the Nigerian forex market and the attraction of liquidity. Will the Nigerian forex market emerge victorious in this race against time? Stay tuned!

Unless alternative sources of foreign exchange are considered, it is "mission impossible".

FGN Eurobond					
Description	TTM (Yrs)	Yield (%)	Change (%)	W-o-W (%)	
7.625 21-NOV-2025	2.31	8.80	▲ 0.10	▼ -0.26	
6.50 NOV 28, 2027	4.33	8.80	▲ 0.10	▼ -0.26	
6.125 SEP 28, 2028	5.17	9.73	▲ 0.02	▼ -0.39	
8.375 MAR 24, 2029	5.66	10.09	▲ 0.05	▼ -0.37	
7.143 FEB 23, 2030	6.57	10.07	▲ 0.01	▼ -0.41	
8.747 JAN 21, 2031	7.48	10.24	▲ 0.04	▼ -0.41	
7.875 16-FEB-2032	8.55	10.31	▲ 0.04	▼ -0.38	
7.375 SEP 28, 2033	10.17	10.36	▲ 0.03	▼ -0.38	
7.696 FEB 23, 2038	14.57	10.79	▲ 0.04	▼ -0.34	
7.625 NOV 28, 2047	24.33	10.75	▲ 0.05	▼ -0.31	
9.248 JAN 21, 2049	25.48	10.96	▲ 0.04	▼ -0.31	
8.25 SEP 28, 2051	28.17	10.89	▲ 0.06	▼ -0.30	

FGN Bond					
Description	TTM (Yrs)	Yield (%)	Change (%)	W-o-W (%)	
^13.53 23-MAR-2025	1.65	8.99	▼ -0.01	▼ -0.04	
^12.50 22-JAN-2026	2.49	11.55	▲ 0.55	▲ 0.54	
^16.2884 17-MAR-2027	3.64	12.55	■ 0.00	▲ 0.73	
^13.98 23-FEB-2028	4.57	12.65	■ 0.00	▲ 0.08	
^14.55 26-APR-2029	5.75	12.65	■ 0.00	▲ 0.20	
^12.50 27-APR-2032	8.75	13.48	■ 0.00	■ 0.00	
^12.1493 18-JUL-2034	10.97	14.00	■ 0.00	▲ 0.58	
^12.50 27-MAR-2035	11.66	13.55	■ 0.00	■ 0.00	
^12.40 18-MAR-2036	12.64	14.00	■ 0.00	▲ 0.13	
^16.2499 18-APR-2037	13.72	14.60	■ 0.00	▲ 0.12	
^13.00 21-JAN-2042	18.49	14.57	▲ 0.55	▲ 0.32	
^14.80 26-APR-2049	25.75	14.79	▲ 0.24	▲ 0.55	
^12.98 27-MAR-2050	26.66	14.89	▲ 0.26	▲ 0.64	

Nigerian Treasury Bills					
DTM	Maturity	Yield (%)	Change (%)	W-o-W (%)	
27	24-Aug-23	3.89	■ 0.00	▲ 1.64	
41	7-Sep-23	4.15	■ 0.00	▲ 1.73	
90	26-Oct-23	5.06	■ 0.00	▲ 2.04	
104	9-Nov-23	5.33	■ 0.00	▲ 2.13	
132	7-Dec-23	5.87	■ 0.00	▲ 2.32	
181	25-Jan-24	6.86	■ 0.00	▲ 2.68	
195	8-Feb-24	7.14	■ 0.00	▲ 2.78	
223	7-Mar-24	7.73	■ 0.00	▲ 3.00	
258	11-Apr-24	8.48	■ 0.00	▲ 3.28	
286	9-May-24	9.11	■ 0.00	▲ 3.53	
314	6-Jun-24	9.76	■ 0.00	▲ 3.53	

Fixed Income, here we come.

Last week was a rollercoaster ride for the Eurobond market as it rode the wave of bullish momentum. The alignment of market expectations and a daring risk appetite powered this exhilarating surge. The Federal Reserve raised interest rates by another quarter of a point at the end of its two-day policy meeting. While Investors were buzzing with hope that this could be the last rate hike for the year. However, despite the temporary downturn in the market last Friday, the average benchmark managed to hold its ground, dipping by just 34 bps to close at 10.15%.

Meanwhile, in the FGN Bond market, the story wasn't quite as jubilant. It closed the week on a bearish note after the CBN's Monetary Policy Committee (MPC) decided to raise its policy rate by 25 basis points to 18.75%. Selling interests emerged across various maturities, leading to a slight 29bps increase in the average benchmark, which closed at 13.25%.

The T-bill primary market, on the other hand, had investors holding their breath as they eagerly subscribed to N398.15 billion, with the DMO allotting N264.31 billion. But the real nail-biting moment came with the rising stop rates across different maturities. The 91, 182, and 364-day bills closed at 6.00%, 8.00%, and 12.15%, respectively, witnessing staggering increases of 314 bps, 460 bps, and 621 bps from the last auction.

As we ventured into the Treasury Bills Secondary market, it was clear that the bears had taken charge, causing some tense moments. Selling interests were observed across maturities, driven by market participants demanding higher returns after the thrilling surge in stop rates at the fortnightly primary auction. The average benchmark yield surged by 261 bps, finally settling at 6.67%.

Switching gears to the Money Market, FAAC inflows pumped up the liquidity in the banking system, causing activities at the Standing Lending Facility window to take a breather and leading to a massive decline in interbank rates. The Open Buy Back (OBB) rate fell by an impressive 1953 bps, while the Overnight rate (O/N) slid by 1970 bps on a week-on-week basis. The week ended with OBB and O/N rates at 0.90% and 1.30%, respectively.

The market continued to be a wild ride, with volatility keeping us all on the edge of our seats. Supply crunches put immense pressure on the naira, but somehow, it managed to flex its muscles, gaining 2.08 naira to settle at NGN775.76 against the US dollar at the I&E window. Not to be outdone, the naira gained 3 naira against the US dollar in the parallel market, closing at NGN867. However, Nigeria's foreign reserves experienced a minor decline, falling by \$1.774 million on Thursday, to settle at \$33.949 billion.

Oil Market

Reuters: Oil prices rose on Friday, notching a fifth straight week of gains as investors remained optimistic that healthy demand and supply cuts would keep prices buoyant. Risk appetite in broader financial markets has been fuelled by growing expectations that central banks such as the U.S. Federal Reserve and European Central Bank are nearing the end of policy tightening campaigns, boosting the outlook for global growth and energy demand.

Thanks to the OPEC+ alliance's supply cuts announced earlier in the month, both oil benchmarks soared, gaining nearly 5% for the week - an awe-inspiring fifth consecutive week of increases! They are now eyeing an impressive 13% gain for the entire month.

Foreign Exchange Market			
Spot	Rate (\$/N)	Change	(NGN)
I&E FX Window	775.76	▲	7.16
Parallel Market	870.00	▲	3.00
^^Forwards			
1M	773.68	▼	-26.64
2M	777.67	▼	-36.37
3M	784.86	▼	-42.84
6M	807.08	▼	-61.82
1Y	859.61	▼	-94.66

Money Market			
Tenor	Rate (%)	Change	(bps)
OPR	0.90	▬	0.00
O/N	1.40	▲	0.10
REPO			
Call	1.00	▼	-1.00
1M	6.00	▲	1.13
3M	5.50	▲	0.56
6M	5.50	▲	0.25

Indicators	Current	Change
OPEC Quota	1.747	79,000 bpd
System liquidity	633.26	-127.66
Foreign reserve	33.946	1.774 mn
Nig. Crude output	1.158	168,000 bpd
FAAC Allocation	907.05	120.89 bn
Brent Crude	84.69	\$0.30
Gold	1,960.40	-

Brent crude settled 75 cents higher at \$84.99 a barrel, while U.S. West Texas Intermediate (WTI) crude gained 49 cents to \$80.58 a barrel. Both benchmarks fell by as much as \$1 briefly earlier in the session as investors took profits after WTI rose above \$80 per barrel.

Fresh data released on Friday showed some of the euro zone's top economies displayed unexpected resilience in the second quarter, even as a raft of indicators pointed to renewed weakness ahead, with manufacturing ailing and services slowing. Meanwhile, policymakers in China have pledged to step up stimulus measures to invigorate the post-COVID recovery after the world's second-largest economy grew at a frail pace in the second quarter.

As of 7:32 pm, Brent crude futures were down 30 cents to \$84.69 a barrel, while U.S. West Texas Intermediate crude was at \$80.36 a barrel, down 22 cents and were set to post their biggest monthly gains in more than a year on expectations that Saudi Arabia would extend voluntary output cuts into September and tighten global supply.

What else is brewing and market expectations

We expect the FGN Eurobond market to close bullish today as risk appetite remains high amidst market optimism. On the other hand, we expect the FGN Bond and T-bill market to extend their bearish sentiment into this week as investors hunt for higher returns. While the system liquidity remain high, we expect the interbank rates to rise slightly in response to the various policy settlements.

Major Business News

Nigeria, 15 countries to get 3.7 gigawatts from Russia: Russian companies are involved in 30 new power projects in Nigeria and 15 other African countries. The projects are expected to generate about 3.7 gigawatts of electricity. President Vladimir Putin of Russia made the disclosure at the Russia-Africa Summit and [Russia-Africa Economic and Humanitarian](#) Forum holding in St. Petersburg, Russia. He listed some of the power projects currently underway in 16 African countries including Nigeria.

Hostile business environment: Foreign investments in manufacturing fall 51% to \$978.3m: Against the background of low investors' confidence occasioned by the prevailing hostile operating environment for business in Nigeria, foreign investments in the country's manufacturing sector fell by [51 percent to \\$978.31 million in 2022, from \\$2 billion in 2021](#). Available data from the National Bureau of Statistics (NBS) indicates that capital importation into the manufacturing sector in 2022 ranked second behind the banking sector which recorded the highest inflow of \$2.09 billion, representing 39.2 per cent of total capital imported.