Morning Brew

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Sterling

Fixed Income and Money Market

FGN Bond Market

At the start of last week, the Nigerian bond market was relatively quiet with selling interests seen mostly long-term maturities. However, towards the end of the week, few buying interests were seen on short- and long-term maturities. Overall, the average benchmark yield rose by 5bps (basis points) to 11.54% week-on-week.

Nigerian Treasury Bill (NTB)

NTB market was bearish most part of last week, with selling interests seen on mostly short-term maturities. However, the market witnessed some quiet sessions towards the end of the week after the primary market auction on Wednesday. Consequently, the average benchmark yield surged by 69bps at 5.35%.

At middle of last week, the DMO sold 197.65 billion worth of bills, against 174.08 billion offered. The rates on the 91-day, 182-day and 364-day bills were allotted at 2.40%, 3.79%, and 6.07%, respectively. The rate on the 91-day bill fell 9bps While rates on the 182-day and 364-day bills remained unchanged compared to the previous auction.

FGN Eurobond Market

While the Eurobond market started last week on a positive sentiment, the sentiment was momentary as weak macroeconomic indices and unyielding Eastern Europe crisis induced selling interests across maturities during the middle of the week before it ended on a bullish note. However, the average benchmark yield increased by 11bps to settle at 12.82% week-on-week.

Money Market

In the absence of FAAC inflow last week, the system liquidity remained tight as the standing lending facility remained the major source of liquidity into the system. The Overnight (O/N) rate rose by 17bps to close at 14.00% while Open buyback (OBB) rate remained unchanged at 14.00%.

Foreign Exchange Market

At the CBN investors and exporters window on Friday, naira appreciated by 5 kobo against the US dollar as the exchange rate closed lower at NGN425.00. Whereas, week-on-week, Naira lost N4.83 against the US dollar. On Thursday, last week, Nigeria's foreign reserve rose by $20.44 million to close at $39.155 billion.

Oil Market

- *Reuters:* Oil prices rose earlier today, recovering from earlier loss in the session, as fears of a global recession give in to supply crisis as supply remains tight amid lower OPEC output, unrest in Libya and sanctions on Russia. As of 8:00am, this morning, Brent crude futures rose 43 cent to $112.06 a barrel.

- OPEC in June did not deliver on an oil output increase pledged under a deal with allies, a Reuters survey on Friday showed, as involuntary declines in Libya and Nigeria offset supply increases by Saudi Arabia and other large producers. The Organization of the Petroleum Exporting Countries (OPEC) pumped 28.52 million barrels per day (bpd) in June, the survey found, down 100,000 bpd from May's revised total. OPEC had planned to boost June output by about 275,000 bpd.

- On the other hand, According to CMC Markets analyst Tina Teng, the recession fears are the primary bearish factor that has capped the surge in oil prices. Rising rates and a plunge in consumer confidence have dented the fuel demand outlook, while data shows that the U.S. petroleum refinery capacity has improved.

FGN Bond Yields

Tenor	Open	Close	Change
^12.75 27-APR-2023	5.92%	5.91%	-0.06
^16.29 17-MAR-2027	10.71%	10.73%	+0.02
^12.15 18-JUL-2034	12.26%	12.27%	+0.01

Nigerian Treasury Bills Yields

29-SEPT-2022 (90 days)	5.04%	5.04%	0.00
26-JAN-2023 (209 days)	5.34%	5.33%	-0.01
8-JUN-2023 (342 days)	6.19%	6.19%	0.00

Nigerian Eurobond Yields

6.375 JUL 12, 2023	8.79%	8.85%	-0.06
6.50 NOV 28, 2027	12.83%	12.77%	-0.06
7.875 16-FEB-2032	13.67%	13.55%	-0.12

Forex Spot rates

I&E Market	425.05	425.00	+0.05
SMIS Market	430.00	430.00	0.00
Parallel Market	610.00	608.00	-2.00

Forex Forward rates

1 month	424.66	424.65	-0.01
6 months	444.09	443.59	-0.50
12 months	466.64	467.12	+0.48

Other Key Indices

Indicators	Current	Change
OBB	14.00%	+0.17bps
O/N	14.00%	0.00bps
System liquidity*(op. bal)*	N56.36bn	-60.21bn
Foreign reserve	$39.155bn	+20.44mn
OPEC Quota	1.826m bpd	+26,000bpd
Nig. Crude output	1.024m bpd	-80,000bpd
Brent Crude	$108.58	-$0.36
FAAC Allocation	N656.602bn	+N24.18bn

Major Business Headlines

- **IOCs divestments, threat to Nigeria's oil sector – FG**: The Federal Government on Sunday night described the divestments by international oil companies from the Nigerian oil and gas sector as a threat to the industry. It, however, challenged indigenous oil producers to see the IOCs' divestments as an opportunity for Nigerian firms operating in the space to take advantage of the development. The Chief Executive, Nigerian Upstream Petroleum Regulatory Commission, Gbenga Komolafe, disclosed this at the Gala Dinner of the Independent Petroleum Producers Group in Abuja, which had the theme, "IOC Divestment – Nigeria's Energy Security and the Role of IPPG in the New Dawn."

- **NNPC, Sahara JV Mulls Construction of Jetties across West Africa to Boost LPG Supply:** WAGL Energy Limited, a joint venture business operated by the Nigerian National Petroleum Company (NNPC) Limited and Sahara Group, has announced plan to develop and construct jetties across West African countries to boost the supply and penetration of Liquefied Petroleum Gas (LPG) in the sub-region. The Managing Director, WAGL Energy Limited, Mr Emmanuel Ubani, revealed this in a statement obtained yesterday, saying discussions were already at advanced stages for the first in the lot.

- **Calabar Port receives first large vessel in three years**: Activities at the Calabar Port were boosted on Thursday as a general cargo vessel berthed with 204 heavy-duty trucks, 22 cubic metres of pipes and other containers. Speaking with reporters on Friday in Calabar after the berthing of the vessel, Festus Olumati, the Port Manager, said this was coming three years after a ship berthed there last. The manager said that Calabar Port was still viable and of economic benefit to the state and to Nigeria. Mr Olumati said the port was safe for berthing, hence the need for customers to patronise it to clear their general containers.