

Coronation Fixed Income and Exchange Rate (CFEX) Update

14 July '22

Summary

- Opening market liquidity was reported at N222.9bn on Friday (08 July '22). Overnight and repo rates closed within a range of 13 – 14%. The average NTB yield increased by +142bps w/w to close at 6.8%. Meanwhile, the average yield for OMO bills increased by +98bps w/w to close at 6.3%.
- As for the secondary market for FGN bonds, the average yield increased by +11bps w/w to close at 11.3%.
- At the Eurobond market, average yield for the sovereigns increased by +18bps w/w to 13.1%.
- According to the US Bureau of Labor Statistics, headline inflation in the US increased to 9.1% y/y in June '22 compared with 8.6% y/y recorded in May '22. Inflationary pressure was significant in the prices of gasoline (59.9% y/y), electricity (13.7% y/y), food (12.2% y/y), new vehicles (11.4% y/y), shelter (5.6% y/y), as well as used cars and trucks (1.7% y/y). Meanwhile, based on data from China's National Bureau of Statistics, headline inflation increased to 2.5% y/y in June '22 compared with 2.1% y/y recorded in May '22. Inflationary pressure was significant in transportation and communication (8.5% y/y), food prices (2.9% y/y), housing (0.8% y/y) and clothing (0.6% y/y).

Indicators	NG
Inflation rate (May '22, %)	17.71
GDP (Q1 '22, %)	3.11
Gross Official Reserves (08 July '22, USD 'bn)	39.3

Crude oil prices (08 July '22, USD/b)	
UK Brent	107.0
WTI	104.8

Source: NBS, CBN, Bloomberg, FMDQ, Coronation MB Economic Research

Repo rates and NTB yields (%)					
Repo	Current	Previous	NTB	Current	Previous
Overnight	14.0	14.0	NTB 11/08/22	10.09	6.04
30D	14.0	14.0	NTB 13/10/22	9.22	6.10
90D	14.0	14.0	NTB 26/01/23	7.11	5.33
180D	14.0	14.0	NTB 08/06/23	6.39	6.19
OBB	13.8	14.0			

Currency rates (08 July '22)	
EUR/ USD	1.02
GBP/USD	1.20
USD/JPY	136.1
NGN/USD (CBN)	415.8
NGN/USD (1M)	427.6
NGN/USD (3M)	435.5
NGN/USD (NAFEX)	426.1

Source: Bloomberg, CBN, Coronation MB Economic Research

FGN bonds and Eurobonds			
Security	Price (close)	Yield (close, %)	Change (bps)
12.75% FGN Apr'23	104.48	6.89	+98
14.20% FGN Mar'24	109.34	8.14	+8
12.50% FGN Jan'26	104.52	10.92	+67
16.29% FGN Mar'27	120.08	10.72	-2
13.98% FGN Feb'28	112.78	10.88	+10
12.15% FGN Jul'34	99.06	12.30	+3
12.50% FGN Mar'35	100.35	12.44	0
12.40% FGN Mar'36	99.65	12.45	+6
16.25% FGN Apr'37	124.70	12.53	+7
12.98% FGN Mar'50	98.80	13.14	-1
6.38% FGN '23 USD	97.61	8.93	+8
8.75% FGN '31 USD	74.10	14.05	+23
7.88% FGN '32 USD	68.86	13.83	+28
7.63% FGN '47 USD	59.83	13.11	+12

Source: FMDQ, Coronation MB Economic Research

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FX dynamics

The NAFEX rate traded within the range of N410-N451/USD but closed at N426.1/USD. This points towards a depreciation of -0.3% or N1.1 w/w. In the forwards market, fx traded within the range of N417-N450/USD. In the 1-month contract, fx depreciated by -0.7% w/w to close at N427.6/USD and in the 3-month contract, fx depreciated by -0.8% w/w to close at N435.5/USD.

In the retail secondary market intervention sales (SMIS) market, the fx spot rate remained unchanged w/w to close at N430/USD on Friday (08 July '22).

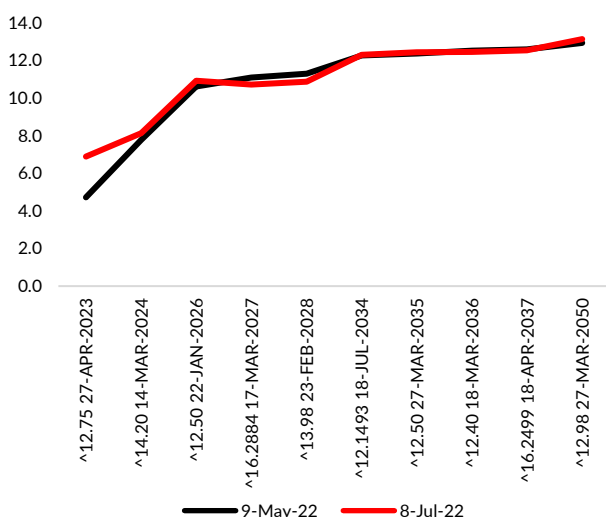
Based on our channel checks, we note that in the parallel market, the Naira closed at an average of N619/USD on Friday (08 July '22). Therefore, the gap between the NAFEX and parallel market rate is 45.3%.

According to data from FMDQ, NAFEX turnover decreased by -38.3% or USD30.2m w/w to USD48.7m on Friday (08 July '22). The NAFEX window recorded an inflow of USD555m with the CBN accounting for 9.2%, FPIs accounting for 3.1%, non-bank corporates accounting for 42.2%, exporters accounting for 28.8% and others accounting for 16.7%.

Nigeria's external reserves increased by 0.5% or USD180.7m w/w to USD39.3bn (as at 08 July '22). We expect the NAFEX rate to trade range-bound (N420/USD - N430/USD) in the near term.

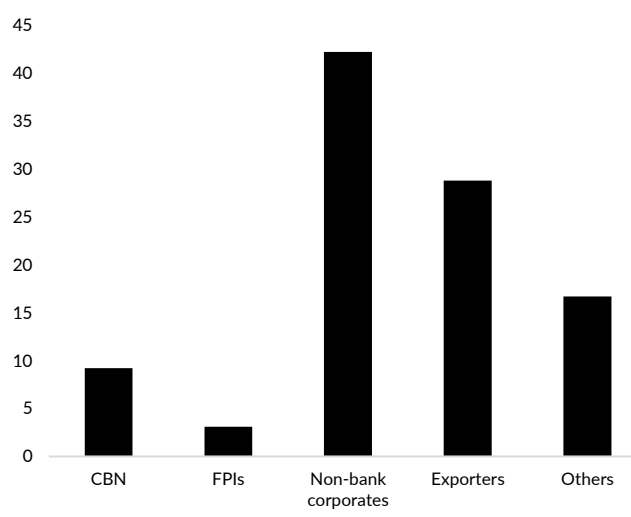
Turning to the Chinese Yuan (CNY), according to data from the CBN, the Naira depreciated by -0.1% w/w to close at N61.9/CNY on 08 July '22.

FGN bond yields (% , 09 May '22 vs 08 July '22)



Sources: FMDQ, Coronation Merchant Bank Economic Research

I&E Window inflows (% of total inflows, 01 July '22 to 08 July '22)



Sources: FMDQ, Coronation Merchant Bank Economic Research

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