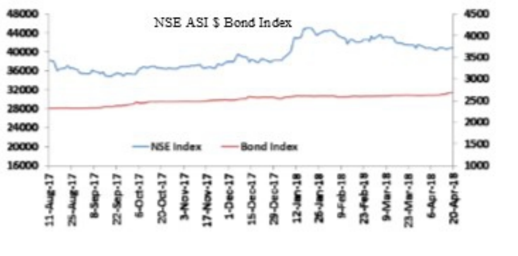
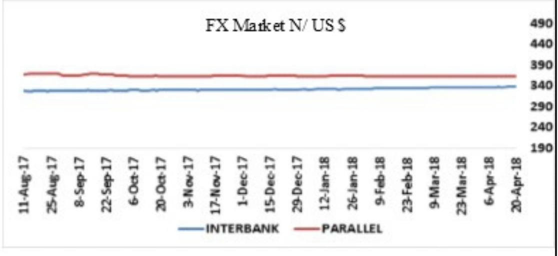
Access Bank Rateswatch

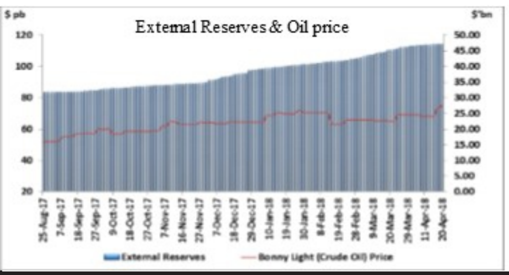
Market Analysis and Outlook: April 20 - April 27, 2018

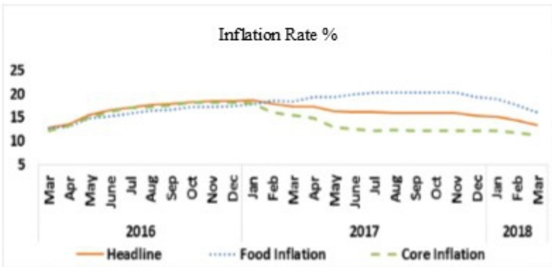
KEY MACROECONOMIC INDICATORS

Indicators	Current Figures	Comments
GDP Growth (%)	1.92	Q4 2017 — higher by 0.52% compared to 1.40% in Q3 2017
Broad Money Supply (M2) (N' trillion)	24.02	Increased by 0.79% in Feb' 2018 from N23.83 trillion in Jan 2018
Credit to Private Sector (N' trillion)	22.62	Increased by 2.88% in Feb' 2018 from N21.99 trillion in Jan 2018
Currency in Circulation (N' trillion)	1.94	Decreased by 0.42% in Feb' 2018 from N1.95 trillion in Jan 2018
Inflation rate (%) (y-o-y)	13.34	Declined to 13.34% in Mar' 2018 from 14.33% in Feb'2018
Monetary Policy Rate (%)	14	Raised to 14% in July '2016 from 12%
Interest Rate (Asymmetrical Corridor)	14 (+2/-5)	Lending rate changed to 16% & Deposit rate 9%
External Reserves (US$ million)	47.01	April 16, 2018 figure — an increase of 1.08% from April start
Oil Price (US$/Barrel)	75.95	April 20, 2018 figure - an increase of 11.46% from the prior week
Oil Production mbpd (OPEC)	1.81	Mar' 2018 figure — an increase of 1.12% from Feb'2018 figure









STOCK MARKET

Indicators	Friday 20/4/18	Friday 13/4/18	Change(%)
NSE ASI	40,814.89	40,928.70	(0.28)
Market Cap(N'tr)	14.74	14.78	(0.28)
Volume (bn)	0.24	0.17	44.97
Value (N'bn)	3.03	2.04	48.39

MONEY MARKET

NIBOR			
Tenor	Friday Rate (%) 20/4/18	Friday Rate (%) 13/4/18	Change (Basis Point)
OBB	3.0000	2.3300	67
O/N	3.7500	2.9200	83
CALL	3.3750	3.0000	38
30 Days	11.3107	13.4297	(212)
90 Days	12.5718	14.1665	(159)

FOREIGN EXCHANGE MARKET

Market	Friday (N/$) 20/4/18	Friday (N/$) 13/4/18	1 Month Rate (N/$) 20/03/18
Official (N)	305.60	305.55	305.70
Inter-Bank (N)	337.93	337.37	335.86
BDC (N)	360.00	360.00	360.50
Parallel (N)	363.00	363.00	362.00

BOND MARKET

AVERAGE YIELDS			
Tenor	Friday (%) 20/4/18	Friday (%) 13/4/18	Change (Basis Point)
3-Year	0.00	0.00	0
5-Year	12.09	13.33	(124)
7-Year	12.45	12.95	(50)
10-Year	12.75	13.35	(59)
20-Year	12.99	13.42	(43)

COMMODITIES MARKET

Indicators	20/04/18	1-week Change (%)	YTD Change (%)
Energy			
Crude Oil $/bbl)	75.95	11.46	17.83
Natural Gas ($/MMBtu)	2.69	(0.37)	(11.98)
Agriculture			
Cocoa ($/MT)	2774.00	8.57	
	43.29		
Coffee ($/lb.)	116.75	(2.71)	(10.33)
Cotton ($/lb.)	84.34	1.07	8.83
Sugar ($/lb.)	11.81	(3.20)	(22.96)
Wheat ($/bu.)	484.25	(1.48)	11.71
Metals			
Gold ($/t oz.)	1336.74	(0.05)	1.46
Silver ($/t oz.)	17.13	3.63	(0.35)
Copper ($/lb.)	315.60	3.29	(3.72)

NIGERIAN INTERBANK TREASURY BILLS TRUE YIELDS

Tenor	Friday (%) 20/4/18	Friday (%) 13/4/18	Change (Basis Point)
1 Mnth	9.59	12.91	(332)
3 Mnths	10.36	13.12	(275)
6 Mnths	11.31	13.76	(245)
9 Mnths	12.36	14.32	(196)
12 Mnths	12.73	14.86	(214)

ACCESS BANK NIGERIAN GOV'T BOND INDEX

Indicators	Friday (%) 20/4/18	Friday (%) 13/4/18	Change (Basis Point)
Index	2,690.91	2,644.27	1.76
Mkt Cap Gross (N'tr)	9.04	8.88	1.80
Mkt Cap Net (N'tr)	5.95	5.81	2.44
YTD return (%)	9.55	7.65	1.90
YTD return (%)(US $)	-45.58	-47.46	1.88

TREASURY BILLS (MATURITIES)

Tenor	Amount (N' million)	Rate (%)	Date
91 Day	5,849.03	10.9	18-Apr-2018
182 Day	64,993.79	12	18-Apr-2018
364 Day	51,995.03	12.078	18-Apr-2018

Sources: CBN, Financial Market Dealers Association of Nigeria, NSE and Access Bank Economic Intelligence Group computation.

Global Economy

In the US, consumer prices rose 2.4% in March from a year earlier - the largest annual gain in a year and following February's 2.2% increase - a Labour Department report showed. Excluding the volatile food and energy categories, core prices ticked up 2.1% from a year ago, after increasing 1.8% in February. The core CPI was lifted by rising rents and healthcare costs. Healthy increases were also reported in personal care and motor vehicle insurance. Year over year, the food index grew 1.3%. In China, the Gross domestic product (GDP) advanced 6.8% year-on-year in the first quarter of 2018, the same pace of growth seen in the fourth quarter of 2017, data from the National Bureau of Statistics showed. With this outturn, the GDP growth rate has remained within the range of 6.7% to 6.9% for 11 quarters. Growth in the first quarter was supported by a pickup in construction and manufacturing. According to official data, the construction and manufacturing sector grew 6.3% from a year earlier, accelerating from a 5.7% pace in the fourth quarter. In the United Kingdom, retail sales plunged in March as unusually cold and snowy weather kept consumers indoors and disrupted deliveries of stock. Data from the Office for National Statistics (ONS) showed that retail sales volumes dropped by 1.2% in March. Retail sales had registered a gain of 0.8% in the prior month. For the whole of the first quarter, sales dropped by 0.5% compared with the final three months of 2017 - the biggest fall since Q1 2017. The biggest declines were recorded in sales of clothing (0.7%), household goods (0.2%), supermarkets (0.6%) and sales of auto fuel (7.4%).

Local Economy

The International Monetary Fund (IMF) has stressed the importance for fiscal adjustment in Nigeria as the Fund urged the Federal Government (FGN) to ensure it disburses borrowed funds on high return investments and infrastructure. The Assistant Director, Fiscal Affairs Department, IMF, stated this during the launch of the Fiscal Monitor report, at the ongoing IMF/World Bank meetings in Washington DC. The Fund also pointed out that rising debt levels in Nigeria currently exposes the country to interest rate and market risks. It, therefore, emphasised the need to create fiscal buffers in the nation. Nigeria's external debt stood $18.91 billion (N5.787 trillion) at the end of December 2017, while domestic debt rose to N15.937 trillion, bringing the total debt stock of the country to N21.725 trillion ($70.92 billion), according to the latest data released by the Debt Management Office (DMO). The Assistant Director also noted that rising debt then create vulnerabilities that will squeeze out spending priorities. In a separate development, the global rating agency Fitch, in a recent report warned that the increased use of international capital markets in sub-Saharan Africa may increase refinancing risk as the amount of international debt rises. It stated in its report that maturities appear manageable in the near term but public financial management (PFM) in the region remains weak. Sub-Saharan Africa sovereign are making greater use of the international debt market financing such as Kenya (USD$2 billion), Cote d'Ivoire (EUR1.7 billion) and Nigeria (USD$2.5 billion) and Ghana's parliament last month approved plans for a Eurobond issue. In its report it observed that tapping into international capital markets can be an important financing option where liquidity in local funding markets is low. However, the rise in debt since 2011, growing use of commercial funding, and in some cases currency depreciation have increased debt servicing costs in some countries. Seven of the 18 Fitch-rated SSA sovereigns had general government interest payments/revenues above 15 percent yearly, the highest since at least year 2000," the agency explained.It also pointed out that borrowing in foreign currency in international market exposes the countries to forex refinancing risk and possible higher debt service/GDP burden in the event of local currency depreciation. It will seem cheaper if domestic interest rate are high like in Nigeria, which used the proceeds of its Eurobond issue to refinance more expensive naira-denominated debt. According to Fitch, it generally involves a net increase in risk.

Stock Market

The Nigerian stock exchange market closed on a negative note last week as the major market indicators trended downwards. The All Share Index (ASI) declined by 113.81 points to close at 40,814.89 points from 40,928.70 points the previous week, representing a 0.28% decrease. Similarly, market capitalization shed 0.28% to close at N14.74 trillion from N14.78 trillion the previous week. Last week's market downturn was triggered by profit taking activities by investors. This week, we expect that the direction of the market's trend will, in the near term be dictated by the news and earnings scorecard that filters into the market.

Money Market

Money market rates ascended last week as Open Market Operation (OMO) sales exceeded maturing T-bills by about N10 billion. Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates further rose to 3.00% and 3.75% from 2.33% and 2.92% respectively the previous week. Longer dated placements however trended downwards. The 30-day and 90-day NIBOR closed lower at 11.31% and 12.57% from 13.43% and 14.17% the prior week. This week, rates may remain around prevailing levels due to reduced OMO activity.

Foreign Exchange Market

The naira-dollar exchange rate at the interbank window depreciated marginally by 56 kobo to close at N337.93/$ from N337.37/$ the previous week. At the parallel market, the local currency closed at N363/$, unchanged from the previous week's rate. Similarly, the local unit was stable at the official market at N305.6 same as the previous week. The relative stability of the local currency continues to be supported by the intervention of the apex Bank. This week, we expect the naira to remain stable, boosted by the Central Bank's ability to intervene on the currency market amid rising foreign exchange reserves and higher crude prices.

Bond Market

Bond yields trended downwards for the third consecutive week due to increased demand fueled by lower Primary Market Auction (PMA) and OMO rates. Yields on the five-, seven-, ten- and twenty-year debt papers settled at 12.09%, 12.45%, 12.75% and 12.99% from 13.33%, 12.95%, 13.35% and 13.42% respectively the previous week. The Access Bank Bond index rose by 46.44 points or 1.76% to close at 2,690.91points from 2,644.27 points the previous week. This week, the direction of yields would likely be determined by the new bond auction calendar.

Commodities Market

Oil prices rose to the highest levels in over three years, last week, following data showing a drop in U.S. stockpiles and ongoing risk of supply disruptions. U.S. crude inventories fell by 1 million barrels last week, to 428 million barrels, according to a weekly report by the American Petroleum Institute. Bonny light, Nigeria's benchmark crude, closed up 11.46%, at $75.95 per barrel. In contrast, precious metals prices dipped last week as generally positive economic data from the US and China undermined the appeal of safe-haven metals and non-interest-bearing assets. Gold lost 0.05% to settle at $1,336.74 per ounce. Silver however gained 60cents, or 3.6%, to end at $17.13 per ounce due to higher demand for the precious metal. This week, we see oil prices remaining supported by news suggesting OPEC and its non-OPEC partners are considering yet another extension that would push the production cuts.

MONTHLY MACRO ECONOMIC FORECASTS

Variables	Apr'18	May'18	Jun'18
Exchange Rate (Official) (N/$)	337.93	338.00	338.10
Inflation Rate (%)	12.73	11.99	11.18
Crude Oil Price (US$/Barrel)	73	74	75

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