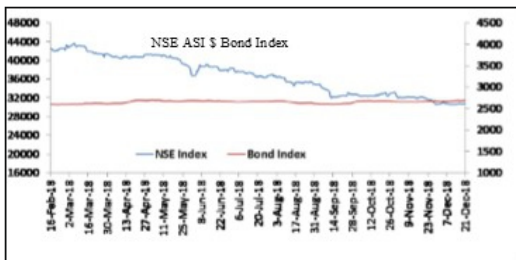
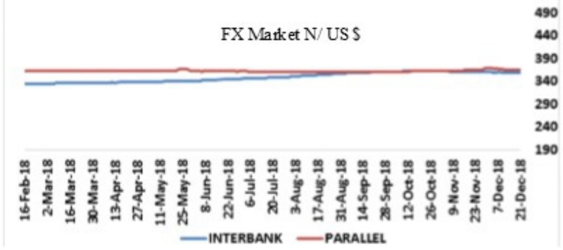
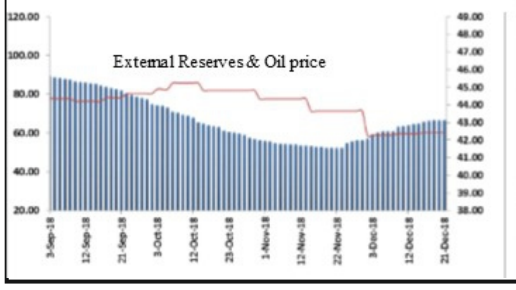
Access Bank Rateswatch

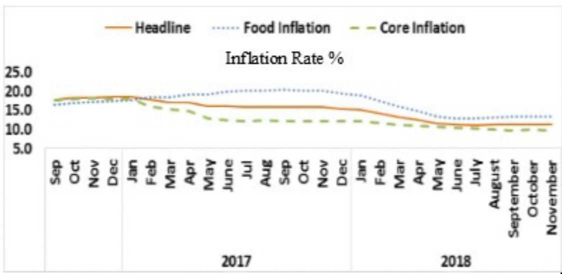
KEY MACROECONOMIC INDICATORS

GDP Growth (%)	1.81	Q3 2018 — Higher by 0.31% compared to 1.50% in Q2 2018
Broad Money Supply (M2) (N' trillion)	25.71	Increased by 1.73% in Oct' 2018 from N25.28 trillion in Sept' 2018
Credit to Private Sector (N' trillion)	22.72	Increased by 0.72% in Oct' 2018 from N22.56 trillion in Sept' 2018
Currency in Circulation (N' trillion)	1.97	Increased by 2.07% in Oct' 2018 from N1.93 trillion in Sept' 2018
Inflation rate (%) (y-o-y)	11.28	Increased to 11.28% in November 2018 from 11.26% in October' 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)	43.13	December 19, 2018 figure — an increase of 1.89% from December start
Oil Price (US$/Barrel)	60.31	December 21, 2018 figure— an increase by 1% from the prior week
Oil Production mbpd (OPEC)	1.75	October 2018 figure — a decrease of 0.96% from September 2018 figure









STOCK MARKET

Indicators	Friday 21/12/18	Friday 14/12/18	Change(%)
NSE ASI	30,773.64	30,681.50	0.30
Market Cap(N'tr)	11.24	11.21	0.30
Volume (bn)	0.19	0.34	(42.99)
Value (N'bn	3.67	2.38	53.71

MONEY MARKET

NIBOR

Tenor	Friday Rate (%) 21/12/18	Friday Rate (%) 14/12/18	Change (Basis Point)
OBB	21.6700	24.5700	(290)
O/N	25.0800	27.2100	(213)
CALL	14.8333	17.3300	(250)
30 Days	15.7821	15.0500	73
90 Days	14.1141	15.2400	(113)

FOREIGN EXCHANGE MARKET

Market	Friday (N/$) 21/12/18	Friday (N/$) 14/12/18	1 Month Rate (N/$) 21/11/18
Official (N)	306.95	306.90	306.75
Inter-Bank (N)	358.58	359.70	360.22
BDC (N)	0.00	0.00	359.36
Parallel (N)	365.00	364.00	364.00

BOND MARKET

AVERAGE YIELDS

Tenor	Friday (%) 21/12/18	Friday (%) 14/12/18	Change (Basis Point)
3-Year	0.00	0.00	0
5-Year	15.43	15.41	2
7-Year	15.58	15.54	4
10-Year	15.43	15.51	(9)
20-Year	15.61	15.69	(8)

COMMODITIES MARKET

Indicators	21/12/18	1-week Change (%)	YTD Change (%)
Energy			
Crude Oil $/bbl)	60.31	2.80	(6.44)
Natural Gas ($/MMBtu)	3.63	(8.10)	18.78
Agriculture			
Cocoa ($/MT)	2284.00	2.61	17.98
Coffee ($/lb.)	102.55	(1.11)	(21.24)
Cotton ($/lb.)	75.21	(5.11)	(2.95)
Sugar ($/lb.)	12.45	(2.05)	(18.79)
Wheat ($/bu.)	523.00	(1.60)	20.65
Metals			
Gold ($/t oz.)	1261.60	1.84	(4.25)
Silver ($/t oz.)	14.64	0.07	(14.83)
Copper ($/lb.)	268.60	(1.83)	(18.06)

NIGERIAN INTERBANK TREASURY BILLS TRUE YIELDS

Tenor	Friday (%) 21/12/18	Friday (%) 14/12/18	Change (Basis Point)
1 Mnth	15.44	15.01	43
3 Mnths	13.42	14.55	(113)
6 Mnths	13.93	14.29	(36)
9 Mnths	16.74	16.77	(3)
12 Mnths	17.49	17.47	2

ACCESS BANK NIGERIAN GOV'T BOND INDEX

Indicators	Friday (%) 21/12/18	Friday (%) 14/12/18	Change (Basis Point)
Index	2,694.97	2,684.73	0.38
Mkt Cap Gross (N'tr)	8.46	8.42	0.43
Mkt Cap Net (N'tr)	5.24	5.22	0.38
YTD return (%)	9.71	9.29	0.42
YTD return (%)(US $)	-46.10	-46.49	0.39

TREASURY BILLS (MATURITIES)

Tenor	Amount (N' million)	Rate (%)	Date
91 Day	24,372.79	11.2045	28-Nov-2018
182 Day	23,157.66	14.0155	28-Nov-2018
364 Day	103,071.72	16.8829	28-Nov-2018

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

Market Analysis and Outlook: December 14 - December 21, 2018

Global Economy

The Federal Open Market Committee of the US Federal Reserve hiked the federal funds rates in its last meeting for the year 2018. It raised its target range for the federal funds rate by 25 basis points to 2.25% – 2.5%, the highest rate seen since 2008. It is the fourth hike this year on the back of solid economic growth and strong labour market. The Federal Reserve also lowered forecasts for interest rate hikes in 2019 to 2 rate raises from three rate raises amid recent volatility in financial markets and slowing global growth. Elsewhere in the United Kingdom, the Bank of England decided to maintain its key rates at 0.75% in its December meeting, citing that the Brexit uncertainty had intensified over the last month and lower inflation (below the 2% target) supported by falling oil price. In a separate development, Eurozone annual inflation rate was revised downwards to 1.9% in November 2018 from 2.2% reported the previous month. It is the lowest inflation rate since May and comes amid a broad based price slowdown. Among major economies, inflation dipped in Germany (2.2% vs to 2.4%), France (2.2% vs to 2.5%), Italy (1.6% vs to 1.7%) and Spain (1.7% vs to 2.3%).

Domestic Economy

The President of the Federal Republic of Nigeria, presented the 2019 Appropriation Bill before a joint session of the Senate and House of Representatives last week. The 2018 budget proposed the following benchmarks: oil price of $60 per barrel, oil production estimate of 2.3 million barrels per day, exchange rate of N305/1$, real Gross Domestic Product growth of 3.1% and inflation rate of 9.98%. A total expenditure of N8.9 trillion is proposed for 2019, while federal government estimated total revenue is N6.32 trillion, leaving a deficit of N1.95trillion. The deficit is to be financed equally by external and internal borrowings. Capital expenditure is retained at 30.8% of the total budget (N2.03 trillion). Other highlights include; recurrent costs of N4.04 trillion, domestic debt service of N2.14 trillion, statutory transfers of N492.36 billion and sinking fund of N120 billion. In a separate development, the number of unemployed in the labour force, increased to 20.99 million in Q3 2018 from 17.6 million in Q4 2017 and 15.99 million in Q3 2017, resulting in an increase in the national unemployment rate to 23.1% in Q3 2018 from 18.8% in Q3 2017. The economically active population or working age population (persons within ages 15 and 64) increased to 115.5million in Q3 2018 from 111.10 million in Q3 2017. In Q3 2018, the labour force population (i.e. those within the working age population willing, able and actively looking for work) increased to 90.5 million in from 85.1 million in Q3 2017.

Stock Market

Market indicators were bullish last week as Nigerian Stock Exchange (NSE) returned to positive territory. The market rallied amid the negative labour report which was reported by the Nigerian Bureau of Statistics. Accordingly, the All Share Index (ASI) gained 92.14 points or 0.30% to close at 30,773.64 points. Also, the market capitalisation of listed equities increased by N30 billion to close at N11.24 trillion from N11.21 trillion recorded at the previous week's close. This week we anticipate market performance will be volatile as bargain hunting and portfolio repositioning for year-end will shape the market.

Money Market

Rates eased marginally at the money market last week as the Central Bank refrained from a mop up at the close of week, boosting liquidity slightly. Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates dipped to 21.67% and 25.08% from 24.57% and 27.21% respectively the previous week. Longer dated placements also retreated. The Call and 90-day NIBOR closed lower at 14.83% and 14.11% from 17.33% and 15.24% the previous week. This week, rates are likely to trade within a tight band on the back of Wholesale and Open Market Operation (OMO) Auction expected to be carried out.

Foreign Exchange Market

The local unit ended on mixed notes in the preceding week. At the interbank market, the naira recorded a weekly appreciation of 0.31% to close at N358.58/$ from N359.70/$ the previous week. In contrast, the Parallel window, declined by N1 as the exchange rate closed at N365/$ at the end of trading last week from N364/$ the prior week. At the official market, naira suffered a depreciation of N0.05k to N306.95/$ from N306.90/$ the previous week. This week, we expect the naira to trade close to prevailing levels boosted by the Central Bank's sustained supply of liquidity to the market.

Bond Market

Bond yields recorded differing directional performances in various segments as investors re-priced their quotes particularly at the long term bond. Yields on the five- and seven- debt papers increased to 15.43% and 15.58% from 15.41% and 15.54% respectively the previous week. While 10 year and twenty-year debt papers declined to 15.43% and 15.61% from 15.51% and 15.69% respectively the previous week. The Access Bank Bond index increased marginally by 10.24 points to close at 2,694.97 points from 2,684.73 points the previous week. This week, market will be determined by the results of the SUKUK bond auction to be carried out this week.

Commodities

Oil price slipped last week as worries about oversupply, the outlook for energy demand and a US interest rate rise knocked weighed on the market. Organisation of the Petroleum Exporting Countries (OPEC) basket price fell by 8% to $54.25 from $58.67 per barrel. In contrast, precious metals prices edged higher supported by a softer dollar and weakness in the equities market, after the US Federal Reserve delivered a less-hawkish outlook on monetary tightening than many had expected. Gold jumped to $1261.60 per ounce from $1238.82 per ounce, while silver gained 1 cents or 0.1% to end at $14.64 per ounce. This week, oil prices might regain steam as a report by Saudi Arabia hints that it will cut output more than first announced as part of an OPEC-led agreement. For precious metals, prices are likely to remain bullish as investors anticipate major financial turmoil if the President of America shuts down the government based on tension over the US budget.

MONTHLY MACRO ECONOMIC FORECASTS

Variables	Dec'18	Jan'19	Feb'19
Exchange Rate (Interbank) (N/$)	363	364	365
Inflation Rate (%)	11.31	11.33	11.37
Crude Oil Price (US$/Barrel)	60.04	62.81	63.12

For enquiries, contact: Rotimi Peters (Team Lead, Economic Intelligence) (01) 2712123 rotimi.peters@accessbankplc.com