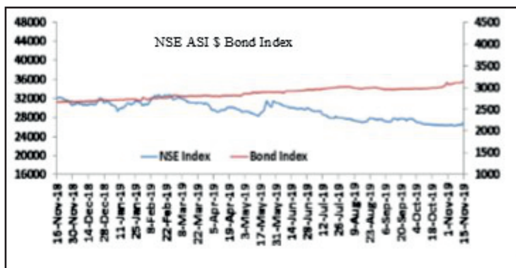
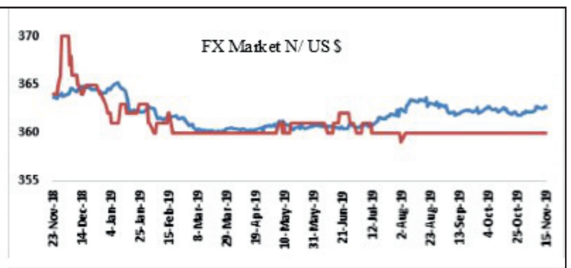
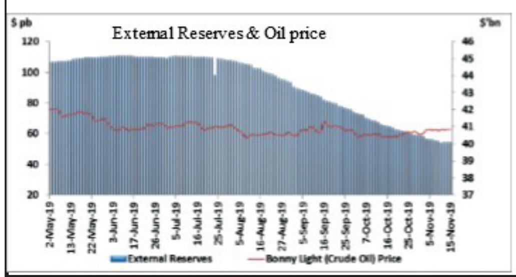
Access Bank Rateswatch

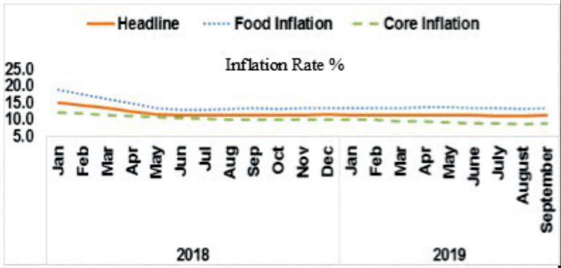
Market Analysis and Outlook: November 15 – November 22, 2019

KEY MACROECONOMIC INDICATORS		
GDP Growth (%)	1.94	Q2 2019 — lower by 0.16% compared to 2.10% in Q1 2019
Broad Money Supply (N' trillion)	35.03	Decreased by 0.53% in Sep' 2019 from N35.22 trillion in Aug' 2019
Credit to Private Sector (N' trillion)	25.47	Increased by 2.61% in Sep' 2019 from N24.82 trillion in Aug' 2019
Currency in Circulation (N' trillion)	2.01	Decreased by 0.66% in Sep' 2019 from N2.02 trillion in Aug' 2019
Inflation rate (%) (y-o-y)	11.24	Increased to 11.24% in September 2019 from 11.02% in August 2019
Monetary Policy Rate (%)	13.5	Adjusted to 13.5% in March 2019 from 14%
Interest Rate (Asymmetrical Corridor)	13.5 (+2/-5)	Lending rate changed to 15.5% & Deposit rate 8.5%
External Reserves (US$ million)	40.08	November 13, 2019 figure — a decrease of 0.87% from November start
Oil Price (US$/Barrel)	62.85	November 14, 2019 figure— an increase of 0.24% from the previous wk
Oil Production mbpd (OPEC)	1.81	October 2019 figure — a decrease of 2% from September 2019 figure









STOCK MARKET			
Indicators	Friday	Friday	Change(%)
	15/11/19	8/11/19	
NSE ASI	26,851.68	26,314.49	2.04
Market Cap(N'tr)	13.07	12.81	2.04
Volume (bn)	0.47	0.43	8.67
Value (N'bn)	5.59	5.58	0.21

MONEY MARKET

NIBOR			
Tenor	Friday Rate (%)	Friday Rate (%)	Change (Basis Point)
	15/11/19	8/11/19	
OBB	14.0700	4.4300	964
O/N	13.0700	5.5700	750
CALL	13.5500	4.9375	861
30 Days	12.7625	13.2460	(48)
90 Days	11.7800	13.9533	(217)

FOREIGN EXCHANGE MARKET			
Market	Friday (N/$)	Friday (N/$)	1 Month Rate (N/$)
	15/11/19	8/11/19	15/10/19
Official (N)	306.90	306.90	306.95
Inter-Bank (N)	362.58	362.77	362.63
BDC (N)	0.00	0.00	0.00
Parallel (N)	360.00	360.00	360.00

BOND MARKET

AVERAGE YIELDS			
Tenor	Friday (%)	Friday (%)	Change (Basis Point)
	15/11/19	8/11/19	
3-Year	0.00	0.00	0
5-Year	11.60	12.07	(47)
7-Year	12.28	12.34	(6)
10-Year	12.25	12.81	(56)
20-Year	12.85	13.19	(34)
30-Year	13.19	13.81	(62)

COMMODITIES MARKET			
Indicators	15/11/19	1-week Change (%)	YTD Change (%)
Crude Oil ($/bbl)	62.85	0.24	(2.50)
Natural Gas ($/MMBtu)	2.61	(6.79)	(14.59)
Agriculture			
Cocoa ($/MT)	2663.00	8.25	37.55
Coffee ($/lb.)	110.65	(1.73)	(15.02)
Cotton ($/lb.)	66.16	3.04	(14.63)
Sugar ($/lb.)	12.76	3.32	(16.76)
Wheat ($/bu.)	509.50	(0.24)	17.53
Metals			
Gold ($/t oz.)	1465.38	(0.07)	11.22
Silver ($/t oz.)	16.88	(0.59)	(1.80)
Copper ($/lb.)	263.85	(2.49)	(19.51)

NIGERIAN INTERBANK TREASURY BILLS TRUE YIELDS			
Tenor	Friday (%)	Friday (%)	Change (Basis Point)
	15/11/19	8/11/19	
1 Mnth	9.80	12.22	(242)
3 Mnths	9.45	12.65	(320)
6 Mnths	9.92	13.11	(319)
9 Mnths	10.19	11.98	(178)
12 Mnths	12.84	14.78	(193)

ACCESS BANK NIGERIAN GOV'T BOND INDEX			
Indicators	Friday (%)	Friday (%)	Change (Basis Point)
	15/11/19	8/11/19	
Index	3,159.92	3,111.80	1.55
Mkt Cap Gross (N'tr)	9.87	9.72	1.54
Mkt Cap Net (N'tr)	6.46	6.32	2.12
YTD return (%)	28.64	26.68	1.96
YTD return (%)(US $)	-27.15	-29.11	1.96

TREASURY BILLS (MATURITIES)			
Tenor	Amount (N' million)	Rate(%)	Date
91 Day	4,384.18	7.7998	13-Nov-2019
182 Day	12,920.90	9	13-Nov-2019
364 Day	107,938.48	12.94	13-Nov-2019

Global Economy

In the US, the nation's budget deficit widened by $33.5 billion in the month of October to $134 billion from $100.5 billion a year earlier. Individual income taxes accounted for $126 billion, customs duties accounted for $8 billion and corporate income taxes for $7 billion amongst other with receipts. According to the US treasury department, under the economy's purchases, social security recorded $89 billion, national defense $71 billion, health for $51 billion, and education for $11 billion amongst others. The US fiscal year for 2018/2019 ended in September 2019 and the economy recorded a budget gap of $984 billion. This is the largest budget deficit since 2012. Elsewhere, the Japanese economy advanced at a significantly slower pace in the third quarter of 2019. The nation expanded at 0.2% year-on-year in the said quarter, much slower than the growth of 1.8% in the previous quarter and 2.2% in the first quarter. This is the slowest expansion this year arising from poor global growth prospects and rising trade restrictions weighing on the external sector of the economy and spreading to the all-important manufacturing activities. In a separate development, India's inflation rate climbed to 4.62% year-on-year in October 2019, above the Reserve Bank of India's medium-term target of 4%. This is the highest inflation rate since July 2018 according to the Ministry of Statistics and Program Implementation (MOSPI). The nation recorded a rate of 3.99% in the previous month. Food prices jumped to 7.89% in the reference month from 5.11% in September mainly due to disruption in supply chain and acquisition restrictions on traders.

Domestic Economy

The Central Bank in its recent economic report for third quarter 2019, revealed that the Federal government revenue from the non-oil sector rose to N 1.36trn. The CBN said, "Non-oil revenue (gross), at N1.36trn, rose above the quarterly budget of N1.34trn by 1.4%. It, similarly, rose above the level in the preceding quarter by 28%. According to the report "The higher non-oil revenue, relative to the quarterly budget, was as a result of increased receipts from corporate taxes, and improvements in the collection of the Nigeria Customs Service. The report also said that the gross oil revenue, at N1.34trn or 49.6% of the total receipts, was below the quarterly budget by 44.6%, but was above the receipt in the preceding quarter by 9.9%. The contraction in oil revenue, compared to the quarterly budget, was due largely to shortfalls in all the components of oil revenue, except domestic crude oil and gas sales. In a separate development, the Debt Management Office (DMO) has said the Federal Government will auction N150bn worth of bonds by subscription on November 20. A recent circular by the DMO showed that a N50bn five-year reopening bond maturing in April 2023 would be offered at 12.75%; a N50bn 10-year reopening bond maturing in April 2029 would be auctioned at 14.55%; while N50bn 30-year reopening bond maturing in April 2049 would be auctioned at 14.8%. According to the DMO, the auction date is November 20, while the settlement date is November 22. The circular said the DMO, on behalf of the Federal Government is offering the bonds for subscription by auction and is authorised to receive applications for them.

Stock Market

Nigerian Stock exchange indicators closed higher last week as demand for value and high dividend yield stocks gained momentum on funds inflow to equity assets due to the recent crash in money market rates, as well as the undervalued state of the market. Consequently, the All Share Index (ASI) jumped 2.04% to 26,851.68 points from 26,314.49 points the preceding week. Similarly, market capitalization rose 2.04% to N13.07 trillion from N12.81 trillion the prior week. This week, we see mixed performance on the back of profit-taking, repositioning in value stocks and portfolio adjustment as market players digest the Q3 scorecards.

Money Market

Rates at the money market edged upwards last week as liquidity was wiped out of the market due to Retail Secondary Market Intervention Sales (SMIS). Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates rose slightly to 14.07% and 13.07% from 4.43% and 5.57% respectively the previous week. However, the 30-day and 90-day Nigeria Interbank (NIBOR) rate dropped to 12.76% and 11.78% from 13.25% and 13.95% the prior week. This week, rates are expected to trend lower due to expected Open Market Operation (OMO) maturity and Retail Secondary Market Intervention Sales of about N606 billion.

Foreign Exchange Market

Last week, the local currency recorded relative stability against the dollar across all market segments. The official rate remained unchanged at N306.9/$. In the same vein, at the parallel market, the local unit closed flat at N361/$. At the NAFEX window the local currency witnessed a marginal depreciation of 2 kobo to close at N362.79/$. This week, we expect foreign exchange rates stability to continue as the CBN continues intervening in the market

Bond Market

Average bond yields further ticked downwards across most segments in the week ended November 15th, 2019 with increased demand for various maturities across the curve following the CBN directive that exempts individuals and corporates from participating in Open Market Operation (OMO) T-bills auction. Yields on the five-, seven-, ten- twenty-year, and thirty-year debt papers closed lower at 11.60%, 12.28%, 12.25%, 12.85% and 13.19% from 12.07%, 12.34%, 12.81%, 13.19% and 13.81% respectively the previous week. The Access Bank Bond index rose by 48.12 points to finish at 3159.92 points from 3111.80 points the prior week. We expect the bullish sentiments to prevail this week as investors continue to look for investment outlets for their idle funds.

Commodities

The price of oil rose slightly last week as the American Petroleum Institute (API) reported that crude inventories fell by about 500,000. The comments by Secretary General of the Organization of the Petroleum Exporting Countries, that global economic fundamentals remained strong, and that he was still confident the U.S. and China would reach a trade deal also supported oil prices. Bonny light, Nigeria's benchmark oil crude, went up $0.15, or 0.24%, to $62.85 a barrel. In contrast, precious metal prices dipped further compared to the prior week as comments from White House economic adviser that the US is nearing an interim trade pact with China affected price of bullions. Gold dropped to $1,465.38 an ounce, down 0.07% from the preceding week's price, while the silver closed lower at $16.88 per ounce, compared to the prior week's close of $16.98 per ounce. This week, we see oil prices being affected by the US-China trade talk. Precious metal prices are expected to become bullish as US Treasury yields have pulled back, giving gold prices room to recover.

MONTHLY MACRO ECONOMIC FORECASTS			
Variables	Nov'19	Dec'19	Jan'20
Exchange Rate (NAFEX) (N/$)	363	362	363
Inflation Rate (%)	11.3	11.33	11.4
Crude Oil Price (US$/Barrel)	65	66	67

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

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