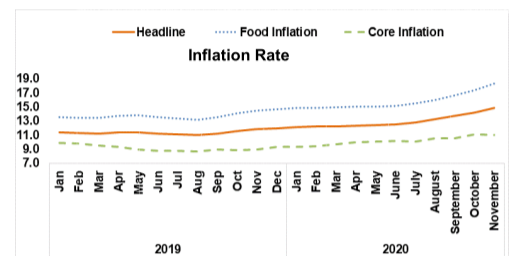
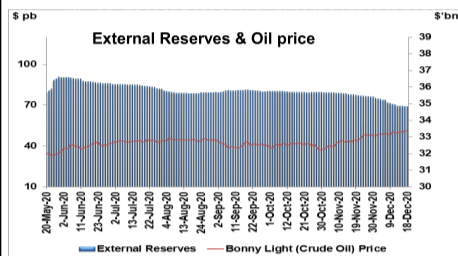
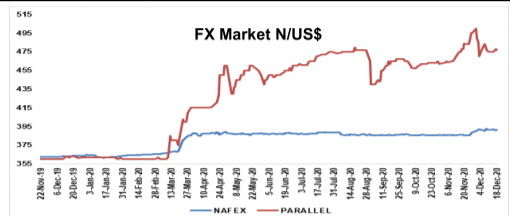
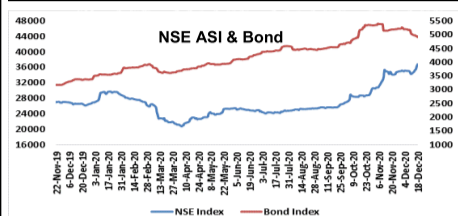


# Access Bank Rateswatch

## KEY MACROECONOMIC INDICATORS

Indicators	Current Figures	Comments
GDP Growth (%)	-3.62	Q3 2020 — higher by 2.48% compared to -6.1% in Q2 2020
Broad Money Supply (N' trillion)	36.08	Increased by 0.32% in October' 2020 from N35.97 trillion in September' 2020
Credit to Private Sector (N' trillion)	29.06	Decreased by 2.26% in October' 2020 from N29.73 trillion in September' 2020
Currency in Circulation (N' trillion)	2.45	Increased by 2.95% in October' 2020 from N2.43 trillion in September' 2020
Inflation rate (%) (y-o-y)	14.89	Increased to 14.89% in November 2020 from 14.23% in October 2020
Monetary Policy Rate (%)	11.5	Adjusted to 11.5% in September 2020 from 12.5%
Interest Rate (Asymmetrical Corridor)	11.5 (+1/-7)	Lending rate changed to 12.5% & Deposit rate 4.5%
External Reserves (US\$ million)	34.83	December 17, 2020 figure — a decrease of 1.43% from December start
Oil Price (US\$/Barrel)	51.49	December 18, 2020 figure— an increase of 1.76% from the prior week
Oil Production mbpd (OPEC)	1.48	November 2020, figure — a decrease of 0.68% from October 2020 figure



## STOCK MARKET

Indicators	Last Week	2 Weeks Ago	Change (%)
	18/12/20	11/12/20	
NSE ASI	36,804.75	35,064.36	4.96
Market Cap(N'tr)	19.24	18.33	4.96
Volume (bn)	0.43	0.80	(46.44)
Value (N'bn)	4.36	3.19	36.69

## MONEY MARKET

Tenor	Last Week Rate (%)	2 Weeks Ago Rate (%)	Change (Basis Point)
	18/12/20	11/12/20	
NIBOR			
OBB	4.5000	0.5000	400
O/N	4.5000	0.8800	362
CALL	0.8125	1.2500	(44)
30 Days	0.7326	0.7934	(6)
90 Days	0.8236	0.8251	(0)

## FOREIGN EXCHANGE MARKET

Market	Last Week Rate (N/\$)	2 Weeks Ago Rate (N/\$)	1 Month Ago Rate (N/\$)
	18/12/20	11/12/20	18/11/20
Official (N)	379.00	379.00	379.00
Inter-Bank (N)	391.74	391.53	385.91
BDC (N)	0.00	0.00	0.00
Parallel (N)	477.00	475.00	478.00

## BOND MARKET

Tenor	Last Week Rate (%)	2 Weeks Ago Rate (%)	Change (Basis Point)
	18/12/20	11/12/20	
5-Year	1.39	0.97	41
7-Year	3.25	3.28	(4)
10-Year	4.29	3.65	64
15-Year	7.18	6.15	102
20-Year	6.50	5.56	94
25-Year	7.47	6.88	59
30-Year	7.36	7.58	(21)

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Sources: CBN, Financial Market Dealers Quotation, NSE, NBS, Energy Information Agency, Oilprice, Bloomberg and Access Bank Economic Intelligence Group computation.  
\* Crude oil (Bonny Light) is as at the previous day.

## Market Analysis and Outlook: December 18–December 25, 2020

### Global Economy

In the US, the Federal Reserve kept the target range for its federal funds rate unchanged at 0-0.25% during its December meeting. The Fed will continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage-backed securities by at least \$40 billion per month until substantial further progress has been made toward employment and inflation. Regarding new economic projections, the Fed sees the US economy shrinking less in 2020 (-2.4% vs -3.7% seen in September) and expand at a faster pace in both 2021 (4.2% vs 4%) and 2022 (3.2% vs 3%). Elsewhere, the Bank of England voted unilaterally to keep the key policy rate at a record low of 0.1% and the size of its bond-buying program at £875 billion during its December meeting, as policymakers took a wait-and-see approach amid uncertainty surrounding a post-Brexit trade deal and concerns over the coronavirus situation. The central bank noted that the successful trial of some COVID-19 vaccines and initial plans to roll them out widely over the first half of next year will likely reduce the downside risks to the economic outlook. The policymakers pledged to take whatever additional action is necessary to achieve the 2% inflation target, in a way that helps to sustain growth and employment. Elsewhere, the Bank of Japan (BoJ) left its key short-term interest rate stable at -0.1% and maintained the target for the 10-year Japanese government bond yield at around 0% during its December meeting by an 8-1 vote. The BoJ also mentioned that it will not change its yield curve control or quantitative easing framework. However, the central bank said it will extend the duration of additional purchases of commercial papers and corporate bonds by six months until the end of September 2021, with an upper limit on the amount outstanding of about JPY 20 trillion. In addition, the Bank also extended by six months to September 2021 its fund-aid scheme for companies hit by the COVID-19 crisis.

### Domestic Economy

Nigeria's annual inflation rate quickened for a 15<sup>th</sup> straight month to 14.89% in November 2020 from 14.23% in October according to data revealed by the National Bureau of Statistics. It was the highest inflation rate since January 2018, as food inflation hit a near three-year high of 18.3%, mainly linked to dollar shortages and surging banditry attacks in farming areas. This rise in the food index was caused by increases in prices of bread and cereals, potatoes, yam and other tubers, meat, fish, fruits, vegetables and oils and fats. On a monthly basis, consumer prices inched up 1.60%, the most since May 2017, after increasing 1.54% in the previous month. In a separate development, the President of Nigeria has ordered the immediate reopening of four of Nigeria's land borders, over a year after they were all shut. This was disclosed in a statement by the Presidency last week. In October 2019, the Federal Government (FG) of Nigeria ordered the complete closure of Nigeria's borders, placing a ban on both legitimate and illegitimate movement of goods in and out of the country. Last month, the Minister of Finance disclosed that the Federal Government was considering reopening the country's land borders.

### Stock Market

The Nigeria stock market witnessed a turnaround last week as it closed on a positive note. The index crossed the 36,000 mark, its highest level since August 2018 on hopes that the rollout of COVID-19 vaccines and the prospect of economic stimulus in major economies will pave the way for an economic recovery next year. Consequently, the All Share Index (ASI) and market capitalization closed at 36,804.75 points and ₦19.24 trillion from 35,064.36 points and ₦18.33 trillion, respectively the preceding week. This week, we expect market to remain bullish following the President's order of the immediate reopening of land borders with Benin,

Niger, and Cameroon, more than a year after closing its land frontiers to crack down on smuggling.

### Money Market

The debt market was illiquid at the close of last week despite the inflow of FAAC. Industry wide Cash Reserve Ratio (CRR) and Retail Secondary Market Intervention Sales (SMIS) outflows wiped out system liquidity. These outflows led to a decline in short-term lender's charge such as the Open Buy Back (OBB) and Over Night (ON) to 4.5% and 4.5% from 0.5% and 0.88%, respectively. The 30- and 90-day Nigerian Interbank Offered Rate (NIBOR) settled at 0.73% and 0.82% from 0.79% and 0.83%, respectively. This week, we expect rates to remain in single digit barring any significant funding activity.

### Foreign Exchange Market

The naira depreciated across most markets last week as importers demand for forex heightened due to the festive period. The Nigerian Autonomous Foreign Exchange Rate (NAFEX) and parallel market rate depreciated while the official rate remained unchanged week-on-week. The NAFEX settled at N391.74/US\$ from N391.53/US\$. The parallel rate depreciated to N477/US\$ from N475/US\$, while the official rate remained flat at N379/US\$. We expect rates across the different market segments to meander around similar levels this week.

### Bond Market

The bond market was majorly bearish last week as market players continued to trade cautiously, given the uncertainty in the market. Consequently, average yields on the 5-, 10-, 15-, 20-, and 25- year papers climbed to 1.39%, 4.29%, 7.18%, 6.5%, and 7.47% from 0.97%, 3.65%, 6.15%, 5.56%, and 6.88% accordingly. The Access Bank Nigerian Government Bond Index declined to 4,910.65 points from 5,035.80 points, 125.15 points lower. This week, we expect the market to trade with mixed sentiments opening the new week as investors remain cautious in taking investment decisions as the year draws to a close.

### Commodities

The price of crude oil traded above \$51 per barrel for the week ended December 18<sup>th</sup>, 2020, a level not seen since March 2020 as signs of progress in US stimulus talks and post-Brexit trade deal negotiations, alongside the rollout of COVID-19 vaccines raised hopes of a quicker recovery in fuel demand. Bonny light, Nigeria's benchmark crude rose 1.76% to close at \$51.49 per barrel. In the same vein, precious metal prices rose due to prospects of additional stimulus in the US buoyed by bullion's appeal as an inflation hedge. US policymakers are nearing a deal on around \$900 billion coronavirus-aid, that would include a second round of direct payments to Americans struggling amid the pandemic. Consequently, gold prices increased by 2.05% or \$37.84 to finish at \$1,883.51 per ounce from \$1,845.67 per ounce. Silver settled at \$24.09 per ounce, a 7.31% jump from previous week price. This week, oil prices are expected to remain bullish as data from Energy Information Administration's (EIA) show a larger-than-expected draw in US crude inventories. Bulls are expected find support on dovish US Federal Reserve and a weaker dollar.

## Monthly Macro Economic Forecast

Variables	Dec'20	Jan'21	Feb'21
Exchange Rate (NAFEX) (N/\$)	387	388	388
Inflation Rate (%)	14.7	15.2	15.6
Crude Oil Price (US\$/Barrel)	44	46	46

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