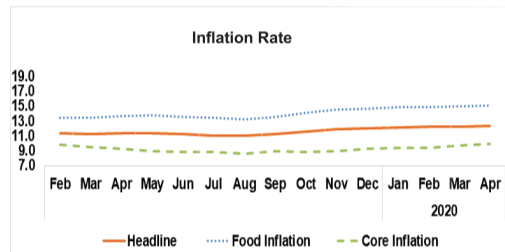
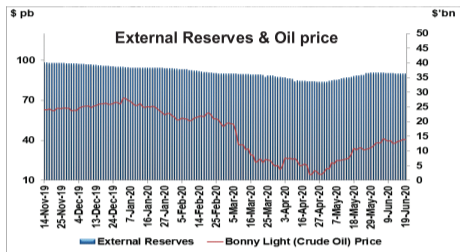
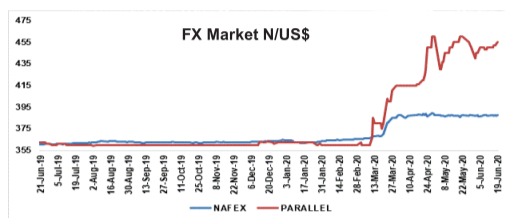
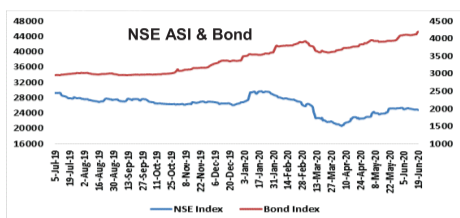


# Access Bank Rateswatch

## KEY MACROECONOMIC INDICATORS

Indicators	Current Figures	Comments
GDP Growth (%)	1.87	Q1 2020 — lower by 0.68% compared to 2.55% in Q4 2019
Broad Money Supply (N' trillion)	36.48	Increased by 2.9% in Nov' 2019 from N35.45 trillion in Oct' 2019
Credit to Private Sector (N' trillion)	26.7	Increased by 0.38% in Feb' 2020 from N26.6 trillion in Jan' 2020
Currency in Circulation (N' trillion)	2.18	Decreased by 3.11% in Feb' 2020 from N2.25 trillion in Jan' 2020
Inflation rate (%) (y-o-y)	12.34	Increased to 12.34% in April 2020 from 12.26% in March 2020
Monetary Policy Rate (%)	12.5	Adjusted to 12.5% in May 2020 from 13.5%
Interest Rate (Asymmetrical Corridor)	12.5 (+2/-5)	Lending rate changed to 14.5% & Deposit rate 7.5%
External Reserves (US\$ million)	36.32	June 18, 2020 figure — a decrease of 0.69% from June start
Oil Price (US\$/Barrel)	40.68	June 18, 2020 figure — an increase of 2.29% from the previous week
Oil Production mbpd (OPEC)	1.59	May 2020, figure — a decrease of 10.41% from April 2020 figure



## STOCK MARKET

Indicators	Last Week	2 Weeks Ago	Change (%)
	19/6/20	11/6/20	
NSE ASI	24,826.75	25,182.67	(1.41)
Market Cap(N'tr)	12.95	13.14	(1.41)
Volume (bn)	0.17	0.34	(48.19)
Value (N'bn)	2.01	3.41	(40.96)

## MONEY MARKET

Tenor	Last Week Rate (%)	2 Weeks Ago Rate (%)	Change (Basis Point)
	19/6/20	11/6/20	
NIBOR			
O/N	16.6700	8.8300	684
CALL	19.5833	12.5833	700
30 Days	3.3857	5.2683	(188)
90 Days	4.2748	6.1819	(191)

## FOREIGN EXCHANGE MARKET

Market	Last Week Rate (N/\$)	2 Weeks Ago Rate (N/\$)	1 Month Ago Rate (N/\$)
	19/6/20	11/6/20	
Official (N)	360.00	360.00	360.00
Inter-Bank (N)	387.80	386.75	386.92
BDC (N)	0.00	0.00	0.00
Parallel (N)	455.00	450.00	460.00

## BOND MARKET

Tenor	Last Week Rate (%)	2 Weeks Ago Rate (%)	Change (Basis Point)
	19/6/20	11/6/20	
5-Year	6.04	6.71	(67)
7-Year	7.44	8.69	(124)
10-Year	8.46	9.30	(85)
15-Year	10.79	11.30	(51)
20-Year	10.39	11.12	(73)
30-Year	12.03	12.27	(24)

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

## Market Analysis and Outlook: June 19 – June 26, 2020

### Global Economy

The US current account deficit contracted by \$0.1 billion to \$104.2 billion in Q1 2020 according to report by the Bureau of Economic Analysis. It is the lowest shortfall since Q2 2018, partly caused by the impact of the coronavirus, as many businesses were operating at limited capacity or stopped operations completely, and the movement of travellers across borders was constrained. Exports of goods decreased by \$8.4 billion to \$403 billion and imports of goods fell \$18.6 billion to \$595.3 billion. Exports and imports of services declined due to travel, primarily other personal travel, and transport, primarily air passenger transport. Thus, the goods and services deficit narrowed to \$119.1 billion from \$129.8 billion. The primary income surplus also shrank to \$52.5 billion from \$62 billion and the secondary income gap widened to \$37.6 billion from \$36.5 billion. In a separate development, the Bank of England voted unanimously to keep the benchmark interest rate at a record low of 0.1% in its last meeting. Policymakers also voted by a majority of 8-1 to increase the target stock of purchased UK government bonds, financed by the issuance of central bank reserves, by an additional £100 billion, to take the total stock of asset purchases to £745 billion. The programme is expected to be complete around the turn of the year. The central bank will continue with the existing programme of £200 billion of UK government bond and non-financial investment-grade corporate bond purchases. Decision makers added that the fall in global and UK GDP in Q2 will be less severe than anticipated although the outlook remains unusually uncertain and the economy, especially the labour market, will therefore take some time to recover. The central bank stands ready to take further action as necessary to support the economy according to its officials. Elsewhere, the Central Bank of Brazil unanimously decided to slash its key interest rate by 75 basis points (bps) to a new all-time low of 2.25% percent. Policymakers noted that the economy is expected to contract further in Q2 and that the pandemic is particularly being felt in emerging markets. The Committee said that persevering in the process of reforms and necessary adjustments in the economy is essential for a sustainable economic recovery. The Committee said that conditions prescribe expansive monetary policy, but the space for further easing is now very limited. Policymakers are monitoring the economic scenario and inflation expectations and said that further information on the evolution of the pandemic and a decline in fiscal uncertainty will be essential for its next steps.

### Domestic Economy

The Federation Accounts Allocation Committee (FAAC) in its most recent meeting shared to the three tiers of government, a total sum of N547.31 billion (inclusive of VAT, Exchange Gain and Excess Bank Charge recovered) as federation allocation for the month of May 2020. The Federal Government received N219.8 billion, the States received N152.4 billion, Local Government councils got N114.1 billion, while the oil-producing states received N37 billion as derivation (13% of Mineral Revenue). In a separate development, the Federal Ministry of Finance, Budget & National Planning released the revised 2020-2022 Medium Term Expenditure Framework & Fiscal Strategy Paper framework. In 2019, the Federal government generated revenue of N4.60 trillion, a whopping N4.73 trillion difference from the budgeted N9.33 trillion indicating a 49.4% performance. The FG however implemented 93% of its budgeted spending implying total expenditure of N8.29 trillion and a budget deficit of N4.17 trillion. Expenditure was mainly recurrent expenditure with capital expenditure performance at a little over 55%, the FG spent N2.4 trillion on debt service cost which pushed debt service cost to revenue ratio higher to 59.4% for 2019. In Q1 2020, retained revenue was N950.56 billion which represents a 48.3% performance to prorated budget of N1.97 trillion while debt service cost was recorded at N943.12 billion which implies a debt service cost to revenue ratio of 99.2%. This debt service cost for Q1 2020 exceeded the prorated amount of N681.37 billion as indicated in the 2020 budget.

### Stock Market

The performance of the Nigeria stock market was an echo of the current bearish sentiments dominating global equity markets, as all indicators closed in the red for the week ended June 19<sup>th</sup> 2020. Consequently, the All Share Index (ASI) and market capitalization closed at 24,826.75 points and N12.95 trillion from 25,182.67 points and N13.14 trillion respectively the previous week. This week, we expect that market will remain around prevailing levels pending any economic update.

### Money Market

Borrowing cost jumped last week following bi-weekly retail Secondary Market Intervention Sales (SMIS) auctions, bond auction debit and a Cash Reserve Ratio (CRR) debit of N216 billion that hit the system. Short term rates such as the Open Buy Back (OBB) and Overnight (O/N) climbed to 15.17% and 16.67% from 8.83% and 9.83% the previous week. Longer tenored rates such as the 30- and 90-day Nigerian Interbank Offered Rate (NIBOR) went in opposite direction as they dipped to 3.39% and 4.27% from 5.27% and 6.18%, respectively. Next week, we expect rates to decline barring any further debit in the system.

### Foreign Exchange Market

The naira depreciated across most market segments as the Nigerian Autonomous Foreign Exchange (NAFEX) and parallel rates declined while the CBN official window remained steady. The NAFEX rate lost N1.05 to close at N387.80/US\$. The parallel market also dipped by N5 to close at N455/US\$. At the CBN official window, the Naira remained stable to close at N360/US\$ same as two weeks ago. The paucity of funds, exacerbated by minimal economic activity, persisted last week in the Investors' and Exporters' Window. We expect rates to trade around current levels this week as the apex bank continues to intervene in the market.

### Bond Market

The outcome of the bond auction sparked bullish sentiment in the market. As a result, we witnessed demand for all securities across the curve as investors sought to buy up available securities in anticipation of a continuous drop in market yields as well as fill up demand that was not met at the auction. Consequently, average yields for 5-, 7-, 10-, 15-, 20- and 30-year papers dropped to 6.04%, 7.44%, 8.46%, 10.79%, 13.09% and 12.03% from 6.71%, 8.69%, 9.30%, 11.30%, 11.12%, and 12.27% respectively. The Access Bank Nigerian Government Bond Index increased by 100.04 points to 4,194.41 points. We expect the buying sentiment to persist following the level of unmet market demand.

### Commodities

Oil prices rose last week amid optimism that global oil demand is recovering despite a rise in new coronavirus infections. OPEC+ also committed to curb production, with both Iraq and Kazakhstan willing to compensate for overproduction in May. Bonny light, Nigeria's benchmark crude edged up 2.29% to close at \$40.68 per barrel. In contrast, precious metal price dropped last week due to fears of a second wave of COVID-19, with new cases being reported in China. Consequently, gold prices declined 0.16% or \$2.78 to finish at \$1,740.40 per ounce from \$1,743.18 per ounce. Silver went southwards to settle at \$17.72 per ounce, a 1.77% drop. This week, we anticipate that oil market will trade higher as supply cuts coincide with a rebound in fuel consumption as the world economy reopens for business. We expect that bullions will become bullish on hopes of fresh economic stimulus measures from countries.

### Monthly Macro Economic Forecast

Variables	Jun'20	Jul'20	Aug'20
Exchange Rate (NAFEX) (N/\$)	387	388	388
Inflation Rate (%)	12.40	12.43	12.48
Crude Oil Price (US\$/Barrel)	34	36	37