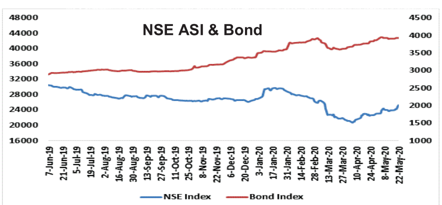
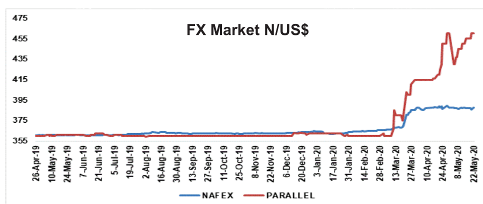
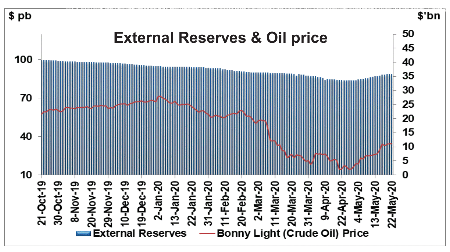
Access Bank Rateswatch

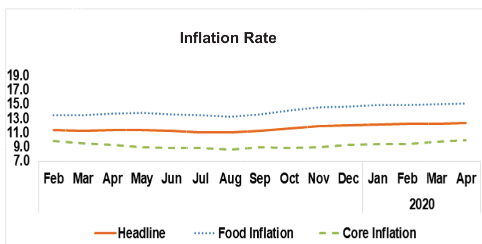
KEY MACROECONOMIC INDICATORS

Indicators	Current Figures	Comments
GDP Growth (%)	2.55	Q4 2019 — higher by 0.27% compared to 2.28% in Q3 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 (%)	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)	35.77	May 21, 2020 figure — an increase of 5.53% from May start
Oil Price (US$/Barrel)	34.46	May 21, 2020 figure— an increase of 27.82% from the previous week
Oil Production mbpd (OPEC)	1.77	April 2020, figure — a decrease of 3.63% from March 2020 figure









STOCK MARKET

Indicators	Last Week 22/5/20	2 Weeks Ago 15/5/20	Change (%)
NSE ASI	25,204.75	23,871.33	5.59
Market Cap(N'tr)	13.14	12.44	5.59
Volume (bn)	0.26	0.22	17.22
Value (N'bn)	2.88	2.45	17.68

MONEY MARKET

NIBOR

Tenor	Last Week Rate (%) 22/5/20	2 Weeks Ago Rate (%) 15/5/20	Change (Basis Point)
OBB	15.0000	2.7500	1225
O/N	15.6300	3.4200	1221
CALL	12.0625	3.5625	850
30 Days	5.6823	6.9385	(126)
90 Days	6.0384	7.0160	(98)

FOREIGN EXCHANGE MARKET

Market	Last Week Rate (N/$) 22/5/20	2 Weeks Ago Rate (N/$) 15/5/20	1 Month Ago Rate (N/$) 22/4/20
Official (N)	360.00	360.00	360.00
Inter-Bank (N)	387.33	387.03	387.54
BDC (N)	0.00	0.00	0.00
Parallel (N)	460.00	455.00	425.00

BOND MARKET

AVERAGE YIELDS

Tenor	Last Week Rate (%) 22/5/20	2 Weeks Ago Rate (%) 15/5/20	Change (Basis Point)
5-Year	7.12	7.19	(7)
7-Year	9.66	10.13	(47)
10-Year	9.71	9.95	(25)
15-Year	11.47	11.61	(14)
20-Year	11.28	11.35	(7)
30-Year	12.54	12.58	(4)

COMMODITIES MARKET

Indicators	22/5/20	1-week Change (%)	YTD Change (%)
Energy			
Crude Oil $/bbl)	34.46	27.82	(46.54)
Natural Gas ($/MMBtu)	1.72	1.78	(43.72)
Agriculture			
Cocoa ($/MT)	2329.00	(2.76)	20.30
Coffee ($/lb.)	104.60	(2.79)	(19.66)
Cotton ($/lb.)	57.44	(0.64)	(25.88)
Sugar ($/lb.)	10.79	2.47	(29.62)
Wheat ($/bu.)	510.00	2.41	17.65
Metals			
Gold ($/t oz.)	1735.59	(0.40)	31.73
Silver ($/t oz.)	17.05	3.08	(0.81)
Copper ($/lb.)	237.50	1.67	(27.55)

NIGERIA INTERBANK TREASURY BILLS TRUE YIELDS

Tenor	Last Week Rate (%) 22/5/20	2 Weeks Ago Rate (%) 15/5/20	Change (Basis Point)
1 Mnth	2.05	1.94	11
3 Mnths	2.13	2.14	(1)
6 Mnths	2.59	2.55	4
9 Mnths	3.11	3.09	2
12 Mnths	3.49	3.53	(4)

ACCESS BANK NIGERIAN GOV'T BOND INDEX

Indicators	Last Week 22/5/20	2 Weeks Ago 15/5/20	Change (Basis Point)
Index	3,931.57	3,908.47	0.59
Mkt Cap Gross (N'tr)	12.28	12.21	0.59
Mkt Cap Net (N'tr)	8.31	8.26	0.64
YTD return (%)	60.05	59.11	0.94
YTD return (%)(US $)	-22.69	-23.63	0.94

TREASURY BILLS PMA AUCTION

Tenor	Amount (N' million)	Rate (%)	Date
91 Day	49,839.65	1.85	29-Apr-2020
182 Day	10,615.40	2.499	29-Apr-2020
364 Day	71,074.82	3.84	29-Apr-2020

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: May 22 – May 29, 2020

Global Economy

The United Kingdom recorded a budget deficit of £61.36 billion in April 2020 compared to a £10.2 billion gap in the corresponding period of 2019, according to the Office of National Statistics (ONS). It is a record budget deficit as spending increased due to the coronavirus although the effects of the pandemic were not fully captured and will only be clear in the coming months. Excluding public sector-owned banks, borrowing was £62.1 billion, £5.1 billion more than in April 2019, and the highest borrowing on record. Borrowing in the latest full financial year was £62.7 billion, £22.5 billion more than the previous financial year. In a separate development, the Reserve Bank of India unexpectedly reduced its benchmark repurchase rate by 40 basis points to 4% in an emergency meeting last week amid an ongoing nationwide lockdown to prevent further spreading of the coronavirus. The reverse repo rate was also lowered by 40 basis points to 3.35% and the marginal standing facility rate to 4.25%. The committee also decided to continue with the accommodative stance of monetary policy aiming to achieve the medium-term inflation target of 4% +/- 2%, and mitigate the impact of COVID-19 on the economy, while supporting growth. Elsewhere, the Bank of Japan (BOJ) left its short-term interest rate unchanged at -0.1% during an emergency meeting last week. Decision makers also maintained to buy Exchange Traded Funds and Japan Real Estate Investment Trusts (J-REITs) so that amounts outstanding will rise at an annual pace of ¥12 trillion and about ¥180 billion, respectively, but launched a new lending program worth ¥30 trillion ($279 billion) to support small businesses struggling with the fallout from the COVID-19 pandemic. Under the new program, which will remain in place through the end of March 2021, the BOJ provides 0% loans to commercial banks that extend interest-free lending to clients under the government's virus relief package. These banks will be given 0.1% interest on their current account deposits at the BOJ in proportion to the amounts of interest-free loans they receive from the central bank.

Domestic Economy

The Nigerian Bureau of Statistics reported that the annual inflation rate rose to 12.34% in April 2020, the highest since April 2018, from 12.26% in the prior month. The uptick reflected the effects of the lockdown in major states of Nigeria, food supply shortages due to movement restrictions, interstate lockdowns, supply chain disruptions as well as depreciation of the naira. Food prices rose 15.03%, the most since March 2018, amid the coronavirus crisis. Additional upward pressure came from clothing and footwear (10.33% vs 10.21%), transport (9.78% vs 9.49%), furnishings and household equipment maintenance (9.64% vs 9.50%) and education (9.16% vs 9.02%). Annual core inflation, which excludes farm produce, hit 9.98% in April, the highest since August 2018. In a separate development, the gross monthly payout by the Federation Account Allocation Committee (FAAC) to the three tiers of government amounted to ₦606 billion (US$1.57bn) in May (from April revenue). This was a decline of ₦175 billion on the previous month's payment. The revenue drop is a reflection that receipts from petroleum profit tax, companies' income tax, import and excise duty, and VAT were probably lower last month.

Stock Market

The bulls gained an upper hand last week as trading indicators trended higher on positive reactions to corporate earnings and actions of highly capitalized stocks that declared dividends despite their mixed performances. The gain also followed investors positioning ahead of the release of more Q1 2020 company financials. Consequently, the All Share Index (ASI) and market capitalization grew to 25,204.75 points and ₦13.14 trillion from 23,871.33 points and ₦12.44 trillion respectively the previous week. This week, we expect the market to remain bullish as investors and traders position themselves amidst the changing sentiments in the hope of improved liquidity and positive economic indices will dampen the negative economic outlook.

Money Market

The debt market experienced illiquidity as rates closed higher at the end of last week. The rate spike was due to the debit for cash reserve requirement from banks, bond auction, as well as Retail Secondary Market Intervention Sales (SMIS). Short term rates such as the Open Buy Back (OBB) and Overnight (O/N) climbed to 15% and 15.63% from 2.75% and 3.42% the prior week. However, rates remained stable at the longer end of the interest rate curve. The 30- and 90-day Nigerian Interbank Offered Rate (NIBOR) settled at 5.68% and 6.04% from 6.94% and 7.02%, respectively. This week, rates are expected to decline as inflows of Open Market Operations (OMO) maturity of N305 billion hits the system.

Foreign Exchange Market

The Naira depreciated across most market segments last week. The Nigerian Autonomous Foreign Exchange Rate (NAFEX) lost ₦0.30 to close at ₦387.33/US$. The paucity of funds witnessed at the Investors and Exporters' window two weeks ago persisted. The parallel market lost by ₦5 to close at ₦460/US$ while at the CBN Official window, the Naira remained stable to close at ₦360/US$ same as preceding week. We expect rates to trade around current levels this week supported by the CBN intervention in the FX market.

Bond Market

The Bond market witnessed buying interest last week following coupon payment into the system. The market witnessed demand for various maturities across the curve, particularly the 2023, 2026 and 2029 securities. Consequently, average yields for 5-, 7, 10-, 15-, 20- and 30 year papers declined to 7.12%, 9.66%, 9.71%, 11.47%, 11.28% and 12.54% from 7.19%, 10.13%, 9.95%, 11.61%, 11.35% and 12.58%. The Access Bank Nigerian Government Bond Index improved by 1% to 3,931.57 points. We expect the bond yields to move in mixed direction with yields on the shorter end of the curve declining whilst those at the longer end remain largely stable.

Commodities

Crude oil prices ascended after more evidence that fuel demand is recovering as countries ease business and social restrictions that were imposed to counter the coronavirus pandemic. Bonny light, Nigeria's benchmark crude surged 27.82% to settle at $34.46 per barrel. In contrast, precious metal prices dipped as the dollar strengthened and hopes of a quick economic recovery dented bullion's safe-haven appeal. Consequently, gold prices dropped 0.4% or $6.93 to finish at $1,735.59 per ounce from $1,742.52 per ounce. Silver climbed 3.08% to settle at $17.05 per ounce due to increased demand for the metal. This week, we expect that oil prices might be lower over worries about China growth and fresh friction between Washington and Beijing. Bullions are expected to trade higher as hostilities between US and China support the market.

Monthly Macro Economic Forecast

Variables	May'20	Jun'20	Jul'20
Exchange Rate (NAFEX) (N/$)	387	388	388
Inflation Rate (%)	12.34	12.40	12.27
Crude Oil Price (US$/Barrel)	34	30	35

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