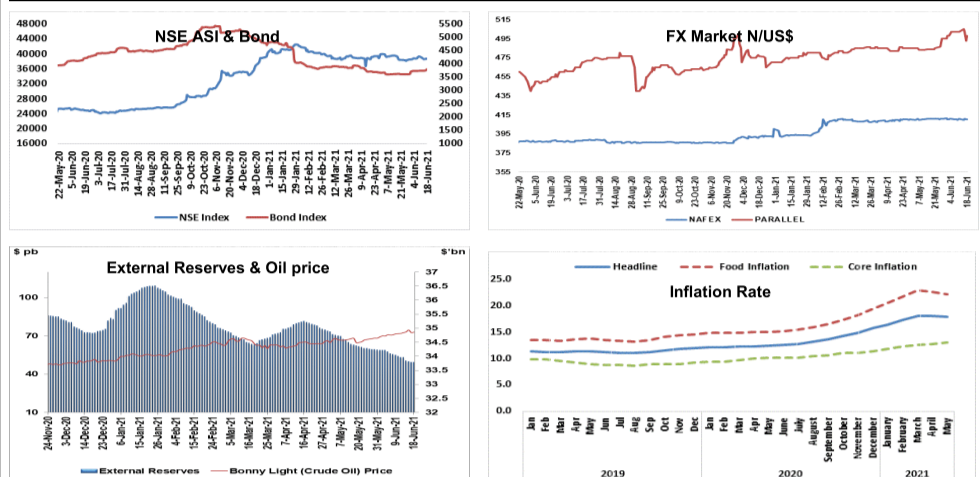


# Access Bank Rateswatch

## KEY MACROECONOMIC INDICATORS

Indicators	Current Figures	Comments
GDP Growth (%)	0.51	Q1 2021 — higher by 0.40% compared to 0.11% in Q4 2020
Broad Money Supply (N' trillion)	39.07	Increased by 1.88% in April' 2021 from N38.65 trillion in March' 2021
Credit to Private Sector (N' trillion)	31.82	Increased by 1.22% in April' 2021 from N31.44 trillion in March' 2021
Currency in Circulation (N' trillion)	2.8	Decreased by 0.44% in April' 2021 from N2.81 trillion in March' 2021
Inflation rate (%) (y-o-y)	17.93	Decreased to 17.93% in May 2021 from 18.12% in April 2021
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)	33.79	June 17, 2021 figure — a decrease of 2.85% from June start
Oil Price (US\$/Barrel)	73.27	June 17, 2021 figure— a decrease of 8.41% from the prior week
Oil Production mbpd (OPEC)	1.39	May 2021, figure — a decrease of 4.9% from April 2021 figure



## STOCK MARKET

Indicators	Last Week	2 Weeks Ago	Change (%)
	18/6/21	11/6/21	
NSE ASI	38,648.91	39,156.28	(1.30)
Market Cap(N'tr)	20.14	20.41	(1.30)
Volume (bn)	0.22	0.29	(23.68)
Value (N'bn)	2.53	3.55	(28.67)

## MONEY MARKET

Tenor	Last Week Rate (%)	2 Weeks Ago Rate (%)	Change (Basis Point)
	18/6/21	11/6/21	
NIBOR			
OBB	18.7500	22.3300	(358)
O/N	19.2500	22.9300	(368)
CALL	17.7333	21.3500	(362)
30 Days	11.0886	12.0021	(91)
90 Days	12.4145	13.2032	(79)

## FOREIGN EXCHANGE MARKET

Market	Last Week Rate (N/\$)	2 Weeks Ago Rate (N/\$)	1 Month Ago Rate (N/\$)
	18/6/21	11/6/21	18/5/21
Official (N)	0.00	0.00	379.00
Inter-Bank (N)	410.43	410.63	410.82
BDC (N)	485.00	498.00	0.00
Parallel (N)	498.00	502.00	484.00

## BOND MARKET

Tenor	Last Week Rate (%)	2 Weeks Ago Rate (%)	Change (Basis Point)
	18/6/21	11/6/21	
5-Year	5.75	5.62	14
7-Year	12.21	12.05	16
10-Year	10.36	10.44	(8)
15-Year	13.41	13.75	(34)
20-Year	12.84	13.26	(42)
25-Year	13.35	14.07	(73)
30-Year	13.28	13.93	(64)

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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: June 18 – June 25, 2021

### Global Economy

In Brazil, the central bank announced its third interest rate hike in 2021, a 75-basis point increase to 4.25% and anticipated a similar rise in August to alleviate the spread of current temporary shocks to inflation. Policymakers noted that, despite the intensity of the second wave of the pandemic, recent economic indicators showed a stronger-than-expected development. The Committee also emphasizes that its view for the next meeting will continue to depend on the evolution of economic activity, the balance of risks, and inflation projections and expectations. 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 June meeting by a 7-1 vote. The central bank also extended its programme. Policymakers also said they will launch a new scheme to provide funds to financial institutions that invest or extend loans in relation with climate change issues. The BoJ mentioned that Japan's economy has picked up as a trend, although it has remained in a severe situation due to the pandemic.

### Money Market

System liquidity was boosted at the debt market following Open Market Operations (OMO) maturity of N46 billion. The inflow of funds led to a decline in rates as short-term lender's charge such as the Open Buy Back (OBB) and Overnight (O/N) rates dropped to 18.75% and 19.25% from 22.33% and 22.93% the previous week. The slightly longer dated instruments like the 30-day and 90-day Nigerian Interbank Offered Rate (NIBOR) also closed lower at 11.09% and 12.41% from 12% and 13.2% the prior week. This week, rates are expected to inch upwards following bi-weekly retail Secondary Market Intervention Sales (rSMIS).

### Foreign Exchange Market

The naira gained grounds against the greenback last week as it appreciated across most segments. The Nigerian Autonomous Foreign Exchange (NAFEX) strengthened by 20 kobo to close at N410.43/US\$ from N410.63/US\$ irrespective of the illiquidity in the market, with local corporates and foreign investors bidding for funds to clear their outstanding obligations. The parallel market also gained N4 as it closed at N498/US\$ from N502/US\$ previous week. The local unit is expected to meander around current levels amid sustained interventions by the apex bank.

### Domestic Economy

Data from the National Bureau of Statistics revealed that the annual inflation rate in Nigeria eased for the second straight month to 17.93% in May 2021 from 18.12% in April, amid a slight slowdown in prices of food & non-alcoholic beverages & tobacco (22.28% vs 22.72% in April) and despite a recent currency devaluation. The annual core inflation, which excludes the prices of volatile agricultural produce however, hit 13.15% in May, the highest since April of 2017. In a separate development, the Governor of CBN, has said that the bank is willing to assist the Central Bank of the Gambia (CBG) to print its legal tender.

### Bond Market

The bond market was bullish last week as local players reacted to May's inflation figures, with renewed interest especially on the long-end of the curve. This was also partly in reaction to the Nigerian Treasury Bill (NTB) auction conducted last week, where stop rates on the new 1-Yr paper closed 24bps lower than the preceding auction at 9.40%. Consequently, yields on the 10-, 15-, 20-, 25-, and 30-year debt papers finished lower at 10.36%, 13.41%, 13.75%, 12.84%, 13.35% and 13.28% from 10.44%, 13.75%, 13.26%, 14.07%, and 13.93% respectively. The Access Bank Government Bond index increased by 50.29 points to settle at 3,779.48 points last week. This week, we expect a slow down on the bullish trend as we anticipate bond auction to be held this week.

This was in response to a request by the CBG for a possible partnership to tackle acute currency shortages among other currency management challenges in the country. The governor of CBG, informed the CBN governor that relying on its current printer, De La Rue of London, for its currency needs was expensive and unsustainable. He explained that it costs the bank about £70,000 to lift printed currencies from Sri Lanka to the Gambia. In response, the CBN Governor assured the CBG party that the bank had extremely competitive advantage to undertake the currency printing for Gambia, adding that the Nigerian Security Printing and Minting had a lot of idle capacity to satisfy the demand of the CBG.

### Commodities

Oil prices declined last week amid strengthening US dollar after the Fed signaled it might raise interest rates earlier than expected. News that Beijing would issue new rules on the management of price indexes for key commodities and services starting from August 1<sup>st</sup> also dented sentiment. Bonny light, Nigeria's benchmark crude dipped 8.41% to close at \$73.27 per barrel. In the same light, precious metal prices narrowed as both the Greenback and US Treasury yields soared after the Federal Reserve revised upwards its inflation forecasts for this year and said it expects two rate hikes by the end of 2023. Consequently, gold prices shrank 5.57% or \$104.93 to finish at \$1,778.81 per ounce from \$1,883.74 per ounce. Silver settled at \$26.06 per ounce, a 7.52% dip from preceding week. This week, oil prices are expected to recover as investors remain optimistic about an improved outlook for demand as the coronavirus vaccination campaign continues and economies reopen. Stronger US dollar and treasury yield might keep safe-haven assets prices pressured.

### Stock Market

The bulls relinquished control to the bears last week as indicators at the local stock exchange entered negative territory. The downward trend was led by stocks in the financial sectors, oil & gas and information & communication technology sector due to profit taking. Consequently, the All-Share Index (ASI) and market capitalization settled lower at 38,648.91 points and N20.14 trillion from 39,156.28 points and N20.41 trillion, respectively the preceding week. This week, we expect that market participants will reposition their portfolio in favour of higher yielding alternative investments.

## Monthly Macro Economic Forecast

Variables	Jun'21	Jul'21	Aug'21
Exchange Rate (NAFEX) (N/\$)	411	412	411
Inflation Rate (%)	18.2	18.45	18.7
Crude Oil Price (US\$/Barrel)	70	72	71