Access Bank Rateswatch

**Market Analysis and Outlook: August 24 - August 31, 2018**

Global

In the Eurozone, annual inflation rate was confirmed at 2.1% in July 2018, higher than 2% recorded in June and highest seen since December 2016, latest data from the European Statistics Agency (Eurostat) show. The main drivers of the rise in consumer prices were from energy and services, while food prices were stable. In Japan, the Consumer Price Index (CPI) increased by 0.1% in June from May 2018, while the Core CPI was unchanged at 0.7% y/y in June.

Domestic

A recently published report by the National Bureau of Statistics revealed that the total value of capital imported in Q2’18 was estimated at $5.51 billion from $6.30 billion in Q1’18. This was a decrease of 12.5% compared to Q1’17 but a 20.62% increase compared to Q2’17. The slump in capital importation was a result of a decline in Portfolio and other investment, which decreased by 9.2% and 7.6% respectively from the previous quarter. Core inflation which excludes prices of energy, food, alcohol and tobacco, stood at 1.9% in July, lowest since March 2017, while on-month month inflation rate declined by the same amount.

Monetary Policy

The Office of the Head of the Federal Civil Service released N4.82 billion for 16 agencies such as Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS) and Federal Inland Revenue Service (FIRS) respectively. This compares to the N12.21 billion received by the three tiers, revealed that the Federal Government received N147.05 billion, states received N194.51 billion and the local Government received N315.01 billion, states and local Governments accounted for 44.75% of total revenue generated in June 2018. The amount generated in June 2018 compares to the N821.86 billion disbursed by the Federation Accounts Allocation Committee (FAAC) in June 2017, which shows a 50% decrease in revenue generation by the government in the last quarter. In a separate development, the Bureau of Statistics revealed that the total revenue generated by all government at all levels in June 2018 was N1.92 trillion, the same as the previous month.

Inflation

According to the Office for National Statistics, the rise in the prices of transport, recreation & culture, housing utilities and food & non-alcoholic beverages were largely responsible for the higher inflation print. Core food & non-alcoholic beverages were largely responsible for the higher inflation print. Core inflation which excludes prices of energy, food, alcohol and tobacco, stood at 1.9% in July, lowest since March 2017, while on-month month inflation rate declined by the same amount.

Commodities

Oil prices moved higher last week on expectations Iran oil sanctions will tighten global supplies. The US government has introduced financial sanctions against Iran which, from November, will also target the petroleum sector of OPEC’s third largest producer-OPC crude oil price, rose $3.54 to settle at $70.01 per barrel, a $1.51 rise from the previous week. The Access Bank Bond Index closed at 0.81% to close at 2,632.36 points the previous week. This week, we expect the naira to hover around current levels, as the CBN continues to support the currency. 

Foreign Exchange

Bond Market

Bond yields trended downwards due to increased demand by both local and foreign counter parties as they sought to cover their positions after the sell-off witnessed last week. Yields on the five-, seven- and ten-year debt papers settled at 14.24%, 14.70% and 15.20% respectively from 14.29%, 14.90% and 15.36% respectively the previous week. Similarly, the 30-day and 90-day NIBOR closed lower at 6.75% and 7.92% from 7.33% and 8.33% respectively the previous week. Similarly, the 30-day and 90-day from 12.06% and 12.70% from 12.41% and 13.28% the prior week. This week, rates may remain stable, prevailing levels due to reduced OMO activity.

MONTHLY MACROECONOMIC FORECASTS

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<tr>
<th>Variations</th>
<th>August 9</th>
<th>August 16</th>
<th>August 23</th>
<th>August 30</th>
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<tr>
<td>CPI (%)</td>
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<tr>
<td>Inflation Rate (%)</td>
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<tr>
<td>Core CPI (%)</td>
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<tr>
<td>Consumer Price Index (%)</td>
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