## Access Bank Rateswatch

### General Economic Conditions

**GDP Growth (%)**
1.81 Q3 2018 — higher by 0.1% compared to 1.3% in Q2 2018

**Broad Money Supply (N' trillion)**
20.71 Increased by 1.7% in Q4 2018 from N20.28 trillion in Sept 2018

**Credit to Private Sector (N' trillion)**
22.72 Increased by 0.7% in Q4 2018 from N22.56 trillion in Sept 2018

**Currency in Circulation (N' trillion)**
1.34 Increased by 1.35% in Q4 2018 from N1.31 trillion in Sept 2018

**Inflation rate (YoY-in%)**
11.28 Increased to 11.28% in November 2018 from 11.20% in October 2018

**Monetary Policy Rate (% a year)**
4.50 December 14, 2018 from 1%

**Interest Rate Market Disc (disabled)**
16.8% Increased to 16.8% from 16.5% in the last week

**Primary Reserve (N' billion)**
2.29 December 27, 2018 figure — an increase of 128.6% from December 2018

**Domestic Reserves (BN' billion)**
12.43 December 26, 2018 figure — a decrease of 1.9% from the prior week

**Oil Production (mb/d)**
1.75 October 2018 figure — a decrease of 0.96% from September 2018 figure

### Global Economy

In the US, the trade deficit rose to a 10-year high of $55.5 billion in October, data released by the US Commerce Department showed. Imports rose by 2.6% month-on-month (m-o-m) to a record $266.5bn in October as US companies stocked up on Chinese goods ahead of the holidays before the next hike in US tariffs that were expected to kick in on 1 January 2019 (this was postponed following recent talk between the US and China at the G20 meeting).

Meanwhile, exports slipped by 0.1% m-o-m to $211.1bn, largely because of a big drop in soybean shipments. Rotational tariffs by China have curbed US exports of soybeans in particular.

In a separate development, in China, the National Bureau of Statistics (NBS) reported that the country’s fixed asset investment (FAI) growth picked up to 5.9% y-o-y for the first 11 months of 2018, compared to 5.7% y-o-y for the previous ten months, implying growth of 7.7% y-o-y for the month of November. The private sector continued to outperform the headline figure, posting cumulative growth of 8.7% y-o-y for 2018 until November, slightly down from October’s cumulative rate of 8.8% y-o-y.

In terms of manufactures, dating remained the bright spot, picking up 9.5% y-o-y from 9.1% over the same period. Elsewhere, the Bank of England (BoE) held the policy rate unchanged at 0.75% in its December meeting. Against a backdrop of a cautious outlook on the economy in light of Brexit-related risks, the BoE’s forward guidance suggests a gentle pace of rate hikes in the coming years.

### Domestic Economy

Provisional estimates for Nigeria’s Balance of Payments (BOP) in the third quarter (Q3) 2018, showed the overall BOP deteriorated to a deficit of $4.5 billion in the third quarter (Q3) 18 from $103 million surplus in the second quarter of the year (Q2’18). A breakdown of the BOP data into its various components indicated that the current account balance (CAB) plunged to a deficit of $1.4 billion (relative to a surplus of $4.3bn in Q2-18), dragged down by a 70.5% increase in the payments for import of goods to US$11.4bn (expecially oil products) which more than offset the 2.8% increase in export earnings. Similarly, the financial account also underperformed as net financial liabilities skyrocketed from $2.6bn in Q2-18 to $10.7bn on a 9.6% decline in external reserves and decline in foreign portfolio inflow from US$4.2bn in Q2-18 to US$1.8bn in Q2-18. In a separate development, the World Bank reiterated its expectation for 1.0% GDP growth for Nigeria in 2018. Earlier in October, the bank reduced its growth projections to 1.9% from an earlier forecast of 2.1%. The downward revision was hanged on the sluggish growth in economic activities recorded in H1-18, due to growth lags in both the oil and non-oil sectors of the economy.

### Stock Market

Last week, investor perception improved in the equities market and the NSE ASI returned a weekly gain of 0.86% to close at 31,037.72 points. Similarly, market capitalization returned a weekly gain of 0.86% to close at N11.34 trillion.

### Foreign Exchange Market

The naira appreciated slightly against the US Dollar dollar across various segments last week.

### Commodities

Crude oil prices settled lower last week, pressured concerns over a faltering global economy and worries about a glut in crude supply. US crude inventories rose by 6.9 million barrels to 448.2 million barrels on increased refinery output, according to data released by the American Petroleum Institute. Bonny light, Nigeria’s benchmark crude oil, shed $7.89 to close at $52.42 a barrel, a 13.08% loss from the previous week. In contrast, precious metals climbed for the week resulting in demand for debt papers. Yields on the five-, seven- and twenty-year debt papers settled at 15.52%, 15.58% and 15.34% from 15.43%, 15.58% and 15.61% for the corresponding maturities the previous week. The Accent Bank Bond rose by 21.59 points to close at 2,716.56 points from 2,694.7 points the previous week. This week, market sentiment may persist due to liquidity in the system.

### Money Market

The Overnight (O/N) and 1-week O/N rates fell to 12.75% and 15.78% the prior week, while 90-day NIBOR eased to 15.78% from 15.93% respectively the previous week. The 30-day NIBOR hit an unprecedented 16%.

### Bond Market

Bonds yielded moderately across most maturities for the week ended December 28, 2018. Yields declined due to the system resulting in demand for debt papers. Yields on the five-, seven- and twenty-year debt papers settled at 15.52%, 15.58% and 15.34% from 15.43%, 15.58% and 15.61% for the corresponding maturities the previous week. The Accent Bank Bond rose by 21.59 points to close at 2,716.56 points from 2,694.7 points the previous week. This week, market sentiment may persist due to liquidity in the system.

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### Conclusions

The market will continue to grapple with the high degree of uncertainties buoy safe haven demand. Futures and options on the US dollar and other major currencies remain key tools in hedging against the risks.

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**Source:** CBN, Financial Market Dealers Association of Nigeria, NSE and Access Bank Economic Intelligence Group computation.