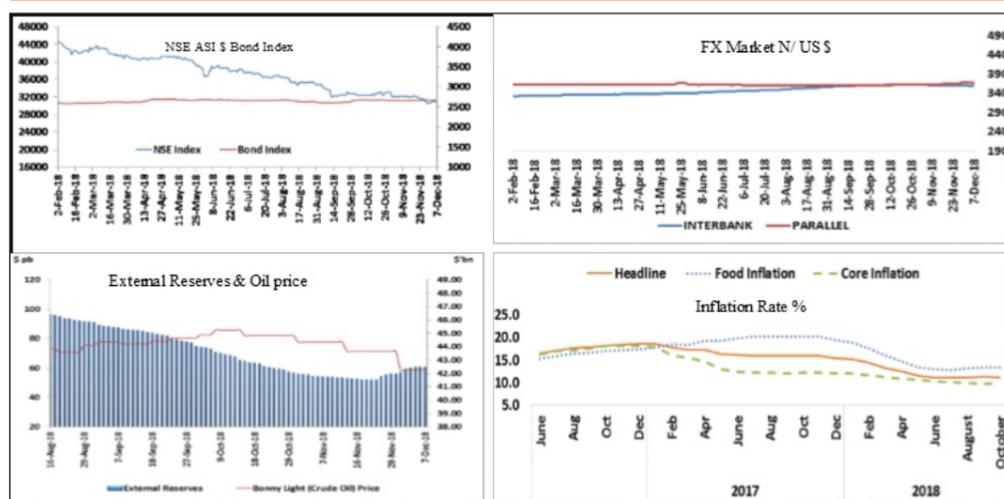


Access Bank Rateswatch

KEY MACROECONOMIC INDICATORS

GDP Growth (%)	1.50	Q2 2018 — lower by 0.45% compared to 1.95% in Q1 2018
Broad Money Supply (M2) (N' trillion)	25.71	Increased by 1.73% in Oct' 2018 from N25.28 trillion in Sept' 2018
Credit to Private Sector (N' trillion)	22.72	Increased by 0.72% in Oct' 2018 from N22.56 trillion in Sept' 2018
Currency in Circulation (N' trillion)	1.97	Increased by 1.54% in Oct' 2018 from N1.93 trillion in Sept' 2018
Inflation rate (%) (y-o-y)	11.26	Increased to 11.28% in October' 2018 from 11.28% in September' 2018
Monetary Policy Rate (%)	14	Raised to 14% in July' 2016 from 12%
Interest Rate (Asymmetrical Corridor)	14 (+2/-5)	Lending rate changed to 16% & Deposit rate 9%
External Reserves (US\$ million)	42.08	December 5, 2018 figure — an increase of 1.26% from November start
Oil Price (US\$/Barrel)	58.79	December 6, 2018 figure — an increase of 1.21% from the prior week
Oil Production mbpd (OPEC)	1.75	October 2018 figure — a decrease of 0.96% from September 2018 figure



STOCK MARKET

Indicators	Friday 7/12/18	Friday 30/11/18	Change(%)
NSE ASI	30,866.82	30,672.38	0.63
Market Cap(N'tr)	11.27	11.20	0.63
Volume (bn)	0.18	0.11	55.70
Value (N'bn)	1.56	1.62	(4.07)

MONEY MARKET

NIBOR			
Tenor	Friday Rate (%)	Friday Rate (%)	Change (Basis Point)
	7/12/18	30/11/18	
O/N	26.0800	17.3600	872
CALL	7.4300	16.1250	(870)
30 Days	14.7470	13.9363	81
90 Days	14.9698	14.2128	76

FOREIGN EXCHANGE MARKET

Market	Friday (N/\$)	Friday (N/\$)	1 Month Rate (N/\$)
	7/12/18	30/11/18	7/01/18
Official (N)	306.85	306.80	306.65
Inter-Bank (N)	359.87	360.16	361.57
BDC (N)	364.50	364.00	363.50
Parallel (N)	366.00	370.00	362.00

BOND MARKET

AVERAGE YIELDS			
Tenor	Friday (%)	Friday (%)	Change (Basis Point)
	7/12/18	30/11/18	
3-Year	0.00	0.00	0
5-Year	15.40	15.27	12
7-Year	15.56	15.46	10
10-Year	15.54	15.48	7
20-Year	15.77	15.73	4

Disclaimer

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

Market Analysis and Outlook: December 7 - December 14, 2018

Global Economy

In the US, the US Federal Reserve (Fed) released minutes covering their November meeting. The minutes confirmed that "almost all" members of the committee found it appropriate to again lift the target range for the federal funds rate "fairly soon". However, the minutes highlighted that the timing of this hike was more uncertain and would be highly data dependent. The data dependency was also emphasised in a speech by the Fed chair also last week. Furthermore, the Fed chair hinted at a more cautionary stance towards further rate hikes and stated that the policy interest rate is just below "a level that would be neutral for the economy", i.e. not supporting nor weighing on economic growth. In a separate development, China's official manufacturing purchasing managers' index (PMI) declined for the third consecutive month to 50.0 in November from 50.2 in October, just shy of contractionary territory. Demand remained weak, with the new orders sub-index falling to 50.4 in November from 50.8 in October. Meanwhile, the new export orders sub-index remained deep in contractionary territory with a slight uptick to 47.0 in November compared to 46.9 last month. Elsewhere, the Japanese economy contracted by 1.2% quarter-on-quarter (q-o-q) in Q3 2018. This is down from the 3% q-o-q growth recorded in Q2 2018. Natural disasters (including flooding in July and the September earthquake) weighed on production, consumption and exports during the quarter, taking much of the blame for the poorer GDP performance.

Domestic Economy

Businesses expressed more optimism on Nigeria's macro economy in November 2018 when compared with the level recorded in the preceding month (October), according to the Central Bank of Nigeria (CBN) monthly Business Expectations Survey (BES) report for November 2018 released last week. The report, which was posted on the apex bank's website stated: "at 25.9 index points, respondents' overall confidence index (CI) on the macro economy in November 2018 was more optimistic when compared to its level of 23.2 index points recorded in October 2018." The businesses outlook for December 2018 showed more confidence on the macro economy at 65.6 index points. The respondent firms were made up of small, medium and large organisations covering both import- and export-oriented businesses. The positive outlook by businesses in November 2018, according to the report, was driven by the opinion of respondents from the following sectors: services (14.9 points), industrial (7.8 points), wholesale/retail trade (2.6 points) and construction (0.5 points) sectors, whereas the drivers of the optimism for next month were services (37.0 points), industrial (19.2 points), wholesale/retail trade (6.6 points) and construction (2.8 points). In a separate development, non-performing loans (NPLs) of banking industry rose in Q3 2018, the National Bureau of Statistics (NBS) report on selected Banking Sector Data has revealed. According to the report, non-performing loans stood at N2.245 trillion as at the third quarter of 2018, higher than the N1.939 trillion recorded in the preceding quarter, and the N2.189 trillion recorded in the first quarter of 2018. The report also disclosed that Commercial banks' gross loans in the third quarter climbed to N15.86 trillion from N15.58 trillion in previous quarter. This implies that commercial banks' NPL ratio has increased to 14.16% in the third quarter of 2018 from 12.45% reported by NBS in second quarter of 2018.

Stock Market

The Nigerian Equity Market closed last week on a bullish note driven by bargain hunting in

bellwether stocks. The benchmark equity index – All Share Index (ASI) – climbed 194.44 points to close at 30,866.82 points. Similarly, Market Capitalization rose N7 billion to settle at N11.26 trillion. This week, we expect market direction to be influenced by the Q3 GDP outturn due for release in the week by the National Bureau of Statistics.

Money Market

Cost of borrowing at the money market rose across most placement tenors as liquidity was slightly drained out of the market. The tight liquidity in the money market was driven largely by a net outflow of about N114 billion. Longer-tenured interbank rates, such as the 30-day NIBOR ascended to 14.75% from 13.94% the prior week, while the 90-day NIBOR closed at 14.97% from 14.21% the preceding week. This week, we expect rates to stay around current levels, barring any significant liquidity event.

Foreign Exchange Market

The currency witnessed mixed performance last week across the various market segments. At the interbank window, the local unit appreciated by 29 kobo to close at N359.87/\$ from N360.16/\$ the week before. Similarly, at the parallel market, the local currency gained N4 to close at N366/\$. Meanwhile, at the official window, it depreciated 5 kobo to finish at N306.85/\$ from N306.80/\$ the prior week. This week, we envisage the naira remaining close to prevailing levels as the CBN continues to intervene to supply liquidity.

Bond Market

Bond yields rose on the average last week. Yields on the five-, seven- and ten-year debt papers respectively increased to 15.40%, 15.56% and 15.54% at the close of last week, from 15.27%, 15.46% and 15.48% for the corresponding maturities the previous week. The Access Bank Bond index rose by 1.89 points to close at 2,675.75 points from 2,673.86 points the previous week. The rise in yields came despite muted activity in the market. This week, we anticipate that yields may moderate as dealers look to cover some of their short positions.

Commodities

Oil prices rose last week after the US and China agreed to a 90-day truce in their escalating trade dispute. Oil also received support from an announcement by the Canadian province of Alberta that it would force producers to cut output by 8.7%, or 325,000 barrels per day (bpd), to deal with a pipeline bottleneck that has led to crude building up in storage. Against this backdrop, the OPEC daily basket price rose 70 cents to settle at \$58.79. In a similar vein, precious metals climbed last week bolstered by the more dovish tone of US Fed Chair Jerome Powell's speech. Gold prices climbed 1.62% to \$1,240.93 per ounce, while silver settled up 1.9% at \$14.50 per ounce. This week, oil prices will likely be swayed by the outcome of the OPEC-Russia discussions on a possible output-cut. For precious metals, uncertainty over the future pace of US interest rate hikes will fuel safe-haven demand, keeping prices around current levels.

MONTHLY MACRO ECONOMIC FORECASTS

Variables	Dec'18	Jan'19	Feb'19
Exchange Rate (Interbank) (N/\$)	363	364	365
Inflation Rate (%)	11.30	11.61	11.45
Crude Oil Price (US\$/Barrel)	60.3	61.1	63.2

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