Access Bank Rateswatch

KEY MACROECONOMIC INDICATORS

GDP Growth (Q1-Q4) 5.8% Q4 2018 – higher by 0.3% compared to 5.5% in Q1 2018

Bank Money Supply (M2) 26.6% Year-on-Year (YoY) increase

Credit to Private Sector (N/ngn) 12.3% Year-on-Year increase

Currency in Circulation (CIR) 12.8% Year-on-Year increase

Inflationary Pressure (WPI) 11.87% YoY increase

Interest Rate (Monetary Policy Committee’s) 13.1% Year-on-Year increase

External Reserves (US$ billion) 52.17 January 2019 figure – a decrease of 8.91% from February 2019

Oil Production (Barrel/barrel) 1.73 January 2019 figure – a decrease of 7.20% from December 2018 figure

Market Analysis and Outlook: March 1st – March 8th, 2019

Global Economy

In the US, the gross domestic product (GDP) advanced 2.6% year-on-year in Q4’18, lower than 3.4% reported in Q3 18 according to the Bureau of Economic Analysis. The increase in real GDP in the fourth quarter reflected positive contributions from personal consumption expenditures (PCE), nonresidential fixed investment, exports, private inventory investment, and federal government spending. These were partly offset by negative contributions from residential fixed investment, and state and local government spending. Considering full-year 2018, the economy advanced 2.9%, above 2.2% in 2017 and the highest growth rate since 2015. Elsewhere in the economy, the expansion by 6.6% in the full year was not as weak compared to Q4 2018 as reported by the Central Statistics Office (CSO). It is the lowest growth rate in five years. The unemployment rate dropped from 2.5% in January 2019 to 2.4% in December 2018, and 2.4% from a year earlier. The number of unemployed increased by 8,000 from a month earlier to 1.72 million in January, while employment fell by 320,000 to 66.6 million.

Domestic Economy

The Manufacturing Purchasing Managers’ Index stood at 57.1 index points in February 2019, the latest PMI report of the Central Bank of Nigeria (CBN) showed. This indicates an expansion in the manufacturing sector for the twenty-first consecutive month. The index grew at a slightly slower pace when compared to the previous month (58.5 index). All the fourteen sub-sectors recorded growth in the period under review. In a separate development, a recent report by the National Bureau of Statistics (NBS), showed that banking sector recorded a total profit of N8.17 trillion from non-performing loans in 2018. This was N1.81 trillion lower when compared to the N9.54 trillion recorded in the 2017 fiscal period. An analysis of the N8.17 trillion NPLs for 2018 showed that the sector recorded N2.18 trillion in the first quarter, in the second quarter of 2018, the figure dropped by N520 billion (to N1.93 trillion). During the third quarter of last year, the NPAs portfolio rose by N300 billion to N2.25 trillion, before dropping to N1.79 trillion in the fourth quarter. Further analysis showed that out of the N15.3 trillion credit granted by banks to the economy in the first quarter of last year, about N9.18 trillion became non-performing.

Stock Market

The local bourse closed in the red for the second consecutive week and the bears failed to register a dominant gain as market sentiment and pressure of sell pressure on most heavyweight counters in the consumer goods and financial services sector. The All-Market Index (ASI) declined by 2.12% to 31,877.24 points from 32,515.32 points the preceding week. Similarly, the Market capitalisation for the week ended March 1st, 2019 fell by 2.21% to N11.87 trillion from N12.35 trillion the prior week. Market volatility is expected to continue as investors take positions based on the outcome of the presidential elections recently concluded.

Dependency of Market:

Money Market: Money market rates trended downwards for the week ended March 1st, 2019 due to inflows from foreign portfolio investment, FAAC, and retail refund estimated at 100 million. Accordingly, short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates eased to 17.42% and 16.33% to 17.25% and 20.25% respectively the previous week. In similar vein, longer-tenured interbank rates, such as the 30- and 90-day NIBOR declined to 10.66% and 11.20% from 11.46% and 12.85% the previous week. This week, the market is expected to further drop as CMMI data on M3 shows growth of 129.5 billion hits the system.

Foreign Exchange Market

Last week, the bond market was bullish with demand seen across select trading instruments predominantly the TEB 2028, MAR 2036 and APR 2037 maturities. Consequently, yields on the five-, seven-, and twenty-year debt papers closed at 14.50%, 14.95%, 14.39% and 15.93% respectively from 14.74%, 14.65%, 14.70% and 14.68% the prior week. The relative stability of local currency continues to be supported by the intervention of the agencies which are envisaged the naira remaining at prevailing levels, as the CBN continues to support the currency.

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