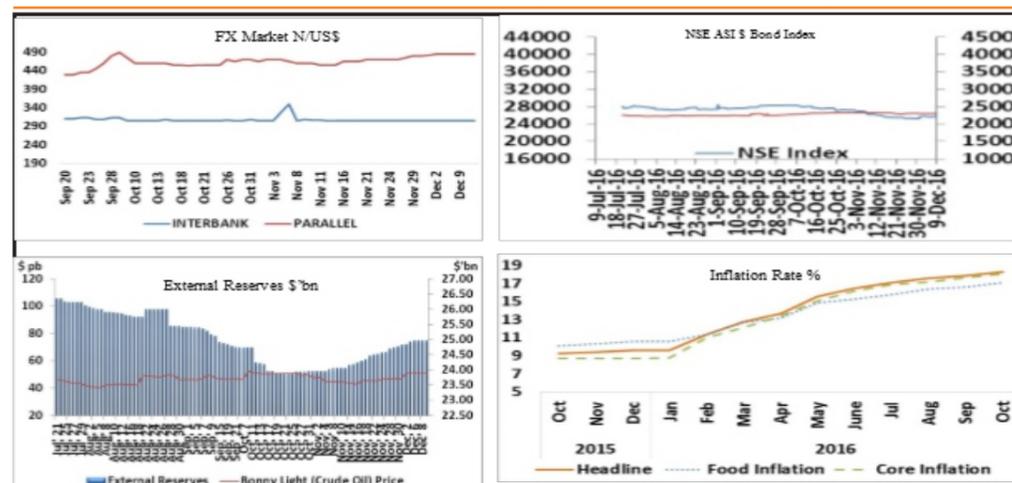


# Access Bank Rateswatch

## KEY MACROECONOMIC INDICATORS

| Indicators                             | Current Figures | Comments   |
|--|-----------------|--|
| GDP Growth (%)                         | -2.24           | Q3 2016 — a decline of 0.18% from -2.06 in Q2 2016             |
| Broad Money Supply (M2) (N' trillion)  | 22.27           | Increased by 0.7% in Oct'2016 from N22.12 trillion in Sep'2016 |
| Credit to Private Sector (N' trillion) | 23.07           | Increased by 1.9% in Oct'2016 from N22.65 trillion in Sep'2016 |
| Currency in Circulation (N' trillion)  | 1.83            | Increased by 1.8% in Oct'2016 from N1.79 trillion in Sep'2016  |
| Inflation rate (%) (y-o-y)             | 18.33           | Edged up to 18.33% in Oct'2016, from 17.85% in Sep'2016        |
| Monetary Policy Rate (%)               | 14              | Raised to 14% in July '2016 from 12%                           |
| Interest Rate (Corridor)               | 14 (+2/-5)      | Lending rate changed to 16% & Deposit rate 9%                  |
| External Reserves (US\$ million)       | 24.97           | Dec 7, 2016 figure — an increase of 0.6% from December -start  |
| Oil Price (US\$/Barrel)                | 50.91           | Dec 9, 2016 figure — no change in 1 week.                      |
| Oil Production mbpd (OPEC)             | 1.63            | Oct'2016 figure — an increase of 11.6% from Sep'2016 figure    |



## STOCK MARKET

| Indicators       | Friday   | Friday    | Change(%) |
|------------------|----------|-----------|-----------|
|                  | 9/12/16  | 2/12/16   |           |
| NSE ASI          | 25817.69 | 25,740.83 | 0.30      |
| Market Cap(N'tr) | 8.88     | 8.86      | 0.32      |
| Volume (bn)      | 0.89     | 2.48      | (63.90)   |
| Value (N'bn)     | 10.63    | 9.99      | 6.43      |

## MONEY MARKET

| NIBOR   |             |             |               |
|---------|-------------|-------------|---------------|
| Tenor   | Friday Rate | Friday Rate | Change        |
|         | (%)         | (%)         | (Basis Point) |
|         | 9/12/16     | 2/12/16     |               |
| Call    | 4.15        | 11.53       | (738)         |
| 7 Days  | 0.00        | 0.00        | 0             |
| 30 Days | 15.86       | 15.28       | 58            |
| 60 Days | 0.00        | 0.00        | 0             |
| 90 Days | 18.39       | 17.68       | 71            |

## FOREIGN EXCHANGE MARKET

| Market         | Friday  | Friday  | 1 Month     |
|----------------|---------|---------|-------------|
|                | (N/\$)  | (N/\$)  | Rate (N/\$) |
|                | 9/12/16 | 2/12/16 | 9/11/16     |
| Official (N)   | 305.5   | 305.0   | 307.8       |
| Inter-Bank (N) | 305.5   | 305.0   | 307.8       |
| BDC (N)        | 0.0     | 0.0     | 0.0         |
| Parallel (N)   | 485.0   | 484.0   | 460.0       |

## BOND MARKET

| AVERAGE YIELDS |         |         |               |
|----------------|---------|---------|---------------|
| Tenor          | Friday  | Friday  | Change        |
|                | (%)     | (%)     | (Basis Point) |
|                | 9/12/16 | 2/12/16 |               |
| 3-Year         | 0.00    | 0.00    | 0             |
| 5-Year         | 15.90   | 15.90   | 0             |
| 7-Year         | 15.65   | 15.55   | 10            |
| 10-Year        | 13.79   | 13.84   | (4)           |
| 20-Year        | 15.93   | 16.04   | (11)          |

## 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: Dec 9 – Dec 16, 2016

### Global Economy

In the US, the trade gap increased to \$42.6 billion in October, compared to \$36.2 billion in September. According to the Bureau of Economic Analysis, exports recorded the biggest decline since January due to lower shipments of food, industrial supplies and materials, automobiles, consumer goods and soybeans while imports reached the highest in 14 months. The goods deficit widened by \$6.3 billion to \$63.4 billion while the services surplus narrowed by \$0.1 billion to \$20.8 billion. Elsewhere, the trade deficit in the United Kingdom narrowed by £3.8 billion to £2.0 billion in September 2016 from £5.8 billion in August. It was the smallest trade gap since May this year, as exports increased by 4.6%, boosted by an 8.7% rise in the export of goods, while imports declined by 3.6%. In a separate development in East Asia, Statistics China stated that consumer prices in China rose 2.3% year-on-year in November of 2016, compared to a 2.1% rise in October. It was the highest inflation rate since April. For most food categories, prices rose at a faster pace, while cost fell for non-food categories.

### Local Economy

The federal government plans to raise about N1.23 billion through issuance of treasury bills in the first quarter of 2017. It further plans to raise N1.24 billion from treasury bills which are rolled over into 2017 and maturing at different dates. According to the Central Bank of Nigeria (CBN) issuing calendar for treasury bills, which was posted on its website, bills maturing in three months, six months and one year are expected to yield N244.76 million, N321.51 million and N665.54 million respectively in Q1 of 2017. However, the rollover issuance is expected to generate N244.76 million, N337.30 million and N665.54 million for bills with 91, 182 and 364-day tenor respectively. The federal government issues treasury bills as part of a borrowing plan to finance part of the government budget deficit as well as to help manage liquidity in the banking system and curb inflationary growth. In another development, the Central Bank of Nigeria has said the overall availability of credit to the corporate sector is expected to increase further in the first quarter of 2017. The CBN said in the Credit Conditions Survey Report, posted on its website, that the credit to the sector increased in the fourth quarter of 2016. The CBN said the demand for secured lending for house purchase increased in fourth quarter of 2016 and was expected to increase further next quarter. In a separate development, the Central Bank of Nigeria (CBN) released a circular to all authorized dealers, BDC operators and the general public concerning the circulation of fake Hong Kong dollar bank notes in the country. The CBN described the genuine features of the original notes as the following: (a) the colour and the features of the notes shift when viewed at different angles, (b) the holographic window thread shows a complete metallic thread when viewed under light and (c) when rubbed on the surface, the bill gives an embossed feeling. Members of the public are enjoined to report any suspected fake Hong Kong dollar to relevant authority agencies.

### Stock Market

The Nigerian equities market rebounded from its losing streak of six weeks. The Nigerian Stock Exchange All Share Index (NSE ASI) rose by 76.86 points to close at 25,817.69 from 25,740.83 points the previous week, also market capitalization gained 0.03% to close at N8.88 trillion from N8.86 trillion the week before. This positive turnaround in performance can be attributed to bargain-hunting activities, as investors could not resist the current low prices of stocks with good

fundamentals. This week, we envisage the bargain-hunting to continue, thus, main gauges may further trend upwards.

### Money Market

Cost of borrowing at the money market rose across most placement tenors last week. The overnight and Open Buy Back rates ascended to 3.92% and 3.17% from 3.90% and 3.05%, respectively the week before. The 30-day NIBOR increased to 15.86% from 15.28% the previous week. Market liquidity was drained due to outflows of about N233.54 majorly from Open market Operation (OMO) auction and Cash Reserve Requirement (CRR) debit which exceeded N118.05 billion from maturing T-bills. This week, market is likely to be liquid due to expected inflows of N193bn in maturing T-bills with no significant outflow expected. Given the forgoing, rates may move southwards.

### Foreign Exchange Market

The Naira climbed to N305.50/1\$ at the interbank FX market, a depreciation of 0.16% from the rate quoted the previous week. In the same light, at the parallel market segment, the value of the Naira depreciated further to trade at N485/\$1, down 0.21% from a rate of N484/\$1 the prior week. The renewed slide of the nation's currency at the parallel market window can be attributed to fresh scarcity of the dollar, owing to increased demand and the inability of commercial banks to provide stipulated weekly allocations for BDCs. The naira is expected to hold steady around its present level against the dollar in the parallel and official market as dollar flows into the country from Nigerians in Diaspora who intend to visit the country for the Christmas holiday and as businesses gradually wind down for the year.

### Bond Market

In the fixed income section, yields moderated downwards across most maturities last week. Yields on the ten and twenty-year debt papers printed at 13.79% and 15.93% from 13.84% and 16.04% for the corresponding maturities the previous week. The decline in yield especially at the long end of the yield curve was fuelled by renewed bond buying by investors on the back of the attractive yields obtainable. The Access Bank Bond index rose by 8.7 points to close at 2,308.96 points from 2,300.18 points the preceding week. We anticipate that yields may rise this week as demand drops given the closure of the market ahead of the festive holiday.

### Commodities Market

Crude oil prices remained stable last week as market watchers focused on an upcoming meeting between OPEC and non-OPEC producers that may result in an agreement to cut crude output further. Bonny light, Nigeria's benchmark crude, closed at \$50.91 a barrel, unchanged from the week preceding. Meanwhile, precious metals prices recorded mixed movements. Gold, weighed down by the strong likelihood of a Federal Reserve interest-rate hike later this month \$13.68, or 1.2%, to settle at \$1,161.86 an ounce. Silver ended at \$16.93 an ounce, up \$0.59, or 3.5%. This week, the trajectory of crude prices will hinge on the outcome of the meeting between major oil producers. For precious metals like gold, underlying support continues to restrict downside moves below \$1,160.

### MONTHLY MACRO ECONOMIC FORECASTS

| Variables                       | Jan'17 | Feb'17 | Mar'17 |
|---------------------------------|--------|--------|--------|
| Exchange Rate (Official) (N/\$) | 305    | 310    | 310    |
| Inflation Rate (%)              | 18.4   | 18.2   | 17.8   |
| Crude Oil Price (US\$/Barrel)   | 46     | 50     | 50     |

\* Revised