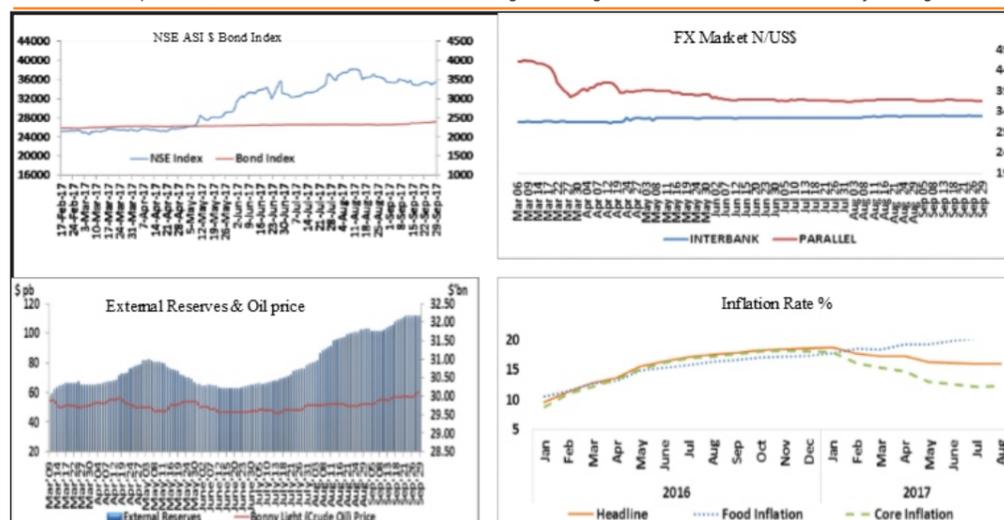


# Access Bank Rateswatch

## KEY MACROECONOMIC INDICATORS

| Indicators                             | Current Figures | Comments  |
|--|-----------------|---|
| GDP Growth (%)                         | 0.55            | Q2 2017 — higher by 1.46% compared to -0.91% in Q1 2017             |
| Broad Money Supply (M2) (N' trillion)  | 21.85           | Decreased by 1.55% in Aug' 2017 from N22.19 trillion in July 2017   |
| Credit to Private Sector (N' trillion) | 21.99           | Decreased by 0.79% in Aug' 2017 from N22.17 trillion in July 2017   |
| Currency in Circulation (N' trillion)  | 1.87            | Increased by 5.59% in Aug' 2017 from N1.77 trillion in July 2017    |
| Inflation rate (%) (y-o-y)             | 16.01           | Declined to 16.01% in August'2017 from 16.05% in July'2017          |
| 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)       | 32.16           | September 22, 2017 figure — an increase of 1.26% from Sept start    |
| Oil Price (US\$/Barrel)                | 59.92           | September 29, 2017 figure - an increase of 4.43% from a week prior. |
| Oil Production mbpd (OPEC)             | 1.86            | August'2017 figure — an increase of 8.14% from July'2017 figure     |



## STOCK MARKET

| Indicators       | Friday<br>29/09/17 | Friday<br>22/09/17 | Change(%) |
|------------------|--------------------|--------------------|-----------|
| NSE ASI          | 35,439.98          | 35,488.81          | (0.14)    |
| Market Cap(N'tr) | 12.22              | 12.23              | (0.14)    |
| Volume (bn)      | 0.24               | 0.19               | 22.69     |
| Value (N'bn)     | 3.83               | 3.68               | 4.20      |

## MONEY MARKET

| NIBOR   |                    |                    |                         |
|---------|--------------------|--------------------|-------------------------|
| Tenor   | Friday Rate<br>(%) | Friday Rate<br>(%) | Change<br>(Basis Point) |
|         | 29/09/17           | 22/09/17           |                         |
| OBB     | 13.67              | 35.00              | (2133.0)                |
| O/N     | 14.25              | 38.00              | (2375)                  |
| CALL    | 13.46              | 10.93              | 253.0                   |
| 30 Days | 18.10              | 16.75              | 135                     |
| 90 Days | 20.90              | 19.96              | 93.4                    |

## FOREIGN EXCHANGE MARKET

| Market         | Friday<br>(N/\$) | Friday<br>(N/\$) | 1 Month<br>Rate (N/\$) |
|----------------|------------------|------------------|------------------------|
|                | 29/09/17         | 22/09/17         | 29/08/17               |
| Official (N)   | 305.75           | 305.85           | 305.85                 |
| Inter-Bank (N) | 329.00           | 328.92           | 327.75                 |
| BDC (N)        | 362.00           | 362.00           | 362.00                 |
| Parallel (N)   | 365.00           | 367.00           | 368.00                 |

## BOND MARKET

| AVERAGE YIELDS |                       |                         |                         |
|----------------|-----------------------|-------------------------|-------------------------|
| Tenor          | Last Week<br>Rate (%) | 2 Weeks Ago<br>Rate (%) | Change<br>(Basis Point) |
|                | 29/09/17              | 22/09/17                |                         |
| 3-Year         | 0.00                  | 0.00                    | 0.0                     |
| 5-Year         | 15.93                 | 15.98                   | (5.5)                   |
| 7-Year         | 16.01                 | 15.94                   | 6.7                     |
| 10-Year        | 15.82                 | 16.04                   | (22.2)                  |
| 20-Year        | 15.81                 | 16.18                   | (36.7)                  |

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

## Market Analysis and Outlook: September 29 - October 06, 2017

### Global Economy

The U.S. economy's Gross Domestic Product (GDP) was revised upwards to 3.1% quarter-on-quarter in Q2 2017, higher than the growth of 1.2% in Q1 2017. The increase in Q2 2017 GDP primarily reflected positive contributions from Personal Consumption Expenditure (PCE), exports, non-residential fixed investment as well as private inventory investment. Government spending and investment recorded a negative growth of 0.2% while Personal Consumption Expenditure (PCE) recorded a positive growth of 3.3% and fixed investment contributed 0.53% to GDP as published by the Bureau of Economic Analysis (BEA). Exports and imports climbed 3.5% and 1.5% respectively in Q2 2017. Elsewhere in the Eurozone, September inflation rate was 1.5% year-on-year, unchanged from the previous month. This was driven by increases in food prices. Core inflation which excludes the prices of energy and unprocessed food items moderated to 1.1% during the month from 1.2% in August as reported by the European Statistical Office (Eurostat). In a separate development, Japan's unemployment rate for the month of August 2017 was at 2.8%, same as in the month of July 2017. Japan's statistical office revealed that the number of unemployed persons in the aforementioned month fell by 4,000 to 1.86 million and employment increased by 20,000 persons to 65.65 million. In the same month of the previous year, unemployment rate was at 3.1%.

### Local Economy

The Nigerian Stock Exchange published the Domestic & Foreign Portfolio investment report for the month of August. The report revealed that the total number of transactions at the nation's bourse increased significantly in the month of August by 104.41% to N396.86 billion from N194.15 billion recorded in July. Foreign investors' transactions outpaced domestic investors' transactions for the first time this year. Foreign transactions increased by more than 200% to N208.34 billion from N60.50 billion the prior month. Domestic transactions increased by 41.05% to N188.52 billion from N133.65 billion in July. An increase of 330.46% in monthly foreign inflows was recorded at N165.47 billion from N38.44 billion in July. Foreign outflows rose at a slower pace by 94.33% to N42.87 billion from N22.06 billion in the previous month. Total foreign portfolio investments (FPI) transactions from January to August 2017 rose by 83.38% to N1.526 trillion from N832.31 billion recorded in the same period of 2016. In another development, the Manufacturing Purchasing Managers' Index (PMI) stood at 55.3 index points in September 2017 from 53.6 points in August. This indicates an expansion in the manufacturing sector for the sixth consecutive month. This was shown in the latest PMI report by the Central Bank of Nigeria. A composite PMI above 50 points indicates that the manufacturing sector is generally expanding, while a reading below 50 points indicates a contraction. Fourteen of the sixteen sub-sectors recorded growth during the month. While the primary metal and petroleum & coal products subsectors contracted in the month under review. In a separate development, the Monetary Policy Committee of the Central Bank of Nigeria at its meeting on September 25th and 26th, 2017 retained the monetary policy rate (MPR) at 14%. The decision to retain the anchor rate at 14% was hinged on several factors including: Fragile economic growth whilst hoping the fiscal support would gather traction to spur further growth; sustaining FX stability and fighting off inflationary pressures amongst others. The committee also retained other monetary policy parameters such as the Cash Reserves Ratio at 22.5%, the Liquidity Ratio at 30% and the Asymmetric Corridor at +200 basis points and -500 basis points around the MPR.

### Stock Market

The local bourse ended the last trading week of the quarter on a negative note as major market indicators trended downwards. The Nigerian Stock Exchange All Share Index (NSE ASI) declined by 0.1% to 35,439.98 points from 35,488.81 points the previous week. Similarly market capitalization dropped by 0.1% to close the week at N12.21 trillion

from N12.23 trillion. The downward trend witnessed at the market resulted from profit taking and low market sentiments. The drop in performance indicators stemmed from losses in the consumer goods and financial services sectors. This week speculative trading may hold sway in the market as investors await Q3 2017 earnings season.

### Money Market

The direction of money market rates was mixed for the fourth consecutive week. Short dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates dropped to 13.67% and 14.25% from 35% and 38% respectively the previous week. Liquidity was boosted in the market due to inflow of about N123 billion from Open Market Operation (OMO) maturity during the week. In contrast, the Nigerian Interbank Offered Rates (NIBOR) trended upwards last week across all tenors. The call, 30-day and 90-day rates climbed to 13.46%, 18.10% and 20.90% from 10.93%, 16.75% and 19.96% respectively. This week liquidity may be buoyant on anticipated OMO maturity of about N283 billion as well as Federation Account Allocation Committee (FAAC) payment of about N306 billion.

### Foreign Exchange Market

The local unit weakened against the dollar last week at the interbank segment, closing the trading week at N329/\$, a 0.02% decline from the previous week's rate of N328.92/\$. However, the naira strengthened at the Central Bank of Nigeria's (CBN) official window and at the parallel market appreciating by 10 kobo and by N2 to N305.75 and N365 respectively. The appreciation and relative stability witnessed is due to increasing FX inflows and CBN interventions in the market. This week, we envisage the naira remaining at current levels due to increasing investor participation, evidenced by an increase in foreign investors' transactions by over 200% between July and August 2017.

### Bond Market

Bond yields on the average fell across most maturities for the third consecutive week. This was largely due to high demand from both local and international investors, including Pension Fund Administrators (PFAs), banks and offshore investors. The frenzy was despite the auction held during the week being oversubscribed by 80%. Yields on the five-, ten- and twenty-year debt papers closed at 15.93%, 15.82% and 15.81% from 15.98%, 16.04% and 16.18% for the corresponding maturities the previous week. The Access Bank Bond index rose by 21.05 points to close at 2,399.59 points from 2,378.54 points the previous week. This week the bullish trend is expected to continue driven by good market fundamentals.

### Commodities Market

Oil prices edged higher for the third consecutive week as a result of robust oil demand, stagnated global supplies and the Kurdish referendum. Bonny light edged up by \$2.54 or 4.4%, to settle at \$59.92 per barrel. The prices of precious metals retreated last week due to a stronger dollar and rise in U.S. bond yields on the back of the proposed U.S. tax reforms and strong economic data that support rates hike. Gold declined by 0.7% or \$9.30 to close at \$1,286.86 per ounce. Similarly, silver fell by 1.1% to settle at \$16.80 per ounce. This week, oil prices may further trend northwards on underlying economic fundamentals of increased demand and falling supply. Precious metals prices are likely to remain pressured as bearish sentiments hold sway due to expectations of a rate hike in the U.S.

## MONTHLY MACRO ECONOMIC FORECASTS

| Variables                        | Oct'17 | Nov'17 | Dec'17 |
|----------------------------------|--------|--------|--------|
| Exchange Rate (Interbank) (N/\$) | 328.50 | 328.32 | 327.90 |
| Inflation Rate (%)               | 15.9   | 15.8   | 15.7   |
| Crude Oil Price (US\$/Barrel)    | 59     | 57     | 57     |