

<b>ECONOMIC INDICATORS</b>	<b>Oct. 19, 2018</b>	<b>Oct. 15, 2018</b>
GDP GROWTH (%)	1.50% (Q2, 2018)	1.50% (Q2, 2018)
INFLATION RATE (%)	11.28	11.28
MONETARY POLICY RATE (%)	14.00	14.00
EXTERNAL RESERVES (\$'BN)	42.78*	43.00

<b>FOREIGN EXCHANGE MARKET:</b>		
	<b>Oct. 19, 2018</b>	<b>Oct. 15, 2018</b>
I & E WINDOW (N/\$)	364.33	363.92
INTERBANK (N/\$)	306.50	306.50
PARALLEL MARKET (N/\$)	362.00	362.00

Source: FMDQ, CBN

<b>EQUITIES:</b>	<b>19 Oct. 2018</b>	<b>% CHANGE</b>
NSE-ASI (Pts)	32,841.69	+1.19%
<b>TOP GAINERS:</b>		
PRESTIGE INSURANCE PLC	0.56	+12.00%
MANSARD INS. PLC	1.98	+10.00%
CONTINENTAL INS. PLC	1.44	+6.67%
<b>TOP LOSERS:</b>		
CUTIX PLC	2.23	(42.8%)
NIGER INSURANCE PLC	0.28	(15.1%)
UNIVERSAL INSURANCE PLC	0.20	(13.0%)
<b>NIBOR:</b>		
O/N (%)	13.33	-6.42%
<b>COMMODITIES:</b>		
	<b>22 Oct. 2018</b>	
WTI (\$/Barrel)	69.55	+0.62%
BRENT (\$/Barrel)	80.25	+0.59%

SOURCE: NSE, FMDQOTC, OPEC, BLOOMBERG, REUTERS

#### **CAPITAL MARKET:**

At the end of trading activities last week, the All Share Index (ASI) recorded a modest gain of 1.19%, for the second consecutive week, to close at 32,841.69 points.

- 3 of the 5 sessions closed positive with activities on Dangote Cement stock largely responsible for the fluctuations in the market's direction.

Among major sectoral indices, the Insurance and Banking indices closed positive, while the Consumer Goods, Industrial Goods and Oil & Gas indices posted losses.

In the mid-term, we do not expect Q3, 2018 earnings season to stir a rally in the market with the increasing focus on the 2019 general election.

## Money Market

At end of trading activities last week, the overnight lending rate declined by 642bps to 13.33%, from last week's closing figure of 19.75%.

- The system recorded a net inflow of about N104.45billion as a result of the inflows amounting to N379.79billion (matured OMO bills – N347.12bn and N32.67billion Bond coupon payment).
- However, the cumulative outflow recorded was N275.34billion from OMO auction.

This week, we expect that the OMO and Bond auctions, and Foreign exchange sales will squeeze liquidity from the system, hence making the overnight rate increase.

- Although, N284.07billion is expected into the system from Bills maturities. The impact of this won't be enough to overtune the magnitude of the outflows.

## Fixed Income

At the end of trading activities last week, the treasury bills market recorded increased Sell-off as a result of tight market liquidity.

- The selling pressure was spread across the curve (i.e. short: +9bps; mid: +2bps; long: +17bps).

As a result, average yields increased by 28bps, week-on-week, to close at 13.53%.

- At the NTB auction, N147.63billion was allotted – i.e. N5.85bn of 91-day, N29.25bn of 182-day and N112.54bn of 364-day – at respective stop rates of 10.96% (previously 10.90%), 12.69% (previously 12.098%), and 13.449% (previously 13.33%).

So when compared to the previous auction, the stop rates increased by an average of 26bps as a result of weaker demand (i.e. total bid-cover of 1.38x vs 3.28x previously).

## 2019- FGN is Likely To Propose Lower Budget Size Of N8.6tn.

According to details from the 2019-2021 Medium Term Expenditure Framework/Fiscal Strategy Paper unveiled last week by the Minister of Budget and Planning, it indicated that the Federal Government would likely propose a reduction in the budget size for 2019.

- The proposed N8.6trillion is about 5.81% reduction from the 2018 fiscal budget of N9.1trillion.
- Furthermore, excerpts from the documents shows that total projected revenue would amount to N7.9trillion.
- Projected oil revenue of N3.6trillion compared to N2.9trillion in 2018; and
- Non-oil revenue of N1.38trillion compared to N1.34trillion in the 2018 budget
- Drastic reductions in both borrowing and deficit financing as the FGN is mindful of the country's revenue challenges.

Also, key 2019 proposed budget assumptions outlined are:

- Oil production volume of 2.3million barrels per day
- Benchmark oil price at \$60pb
- Dollar exchange rate of N305/\$1
- Target inflation rate of 9.98%
- GDP Growth rate of 3%

## Our Expectations:

We expect that the Federal Government would pay more than the usual attention to the employment generating sectors of the economy, i.e. Agriculture, Manufacturing, Mining etc., in-terms of budgetary allocation and implementation.

- To reduce unemployment rate, which is currently high at about 19%, through job