ACCESS
ECONOMIC QUARTERLY
Q2 2017

SPEED | SERVICE | SECURITY

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ACCESS ECONOMIC QUARTERLY
Q2 2017

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1.0

GLOBAL ECONOMY

GLOBAL ECONOMY

In its updated Global Economic Prospects published in June 2017, the World Bank forecast that global economic growth will strengthen to 2.7% in 2017 and 2.9% in 2018, compared to 2.4% expansion in 2016. The global lender mainly attributed the improved outlook for global growth to the pickup in manufacturing and trade, a surge in business confidence and a recovery in commodity prices.

The World Trade Organisation's latest World Trade Outlook Indicator (WTOI) suggests that global trade continued to expand moderately in the second quarter of 2017. The latest reading of 102.2 is the highest since May 2011. The main components of the WTOI export orders, air freight and container shipping were well above trend and rising in the latest period.

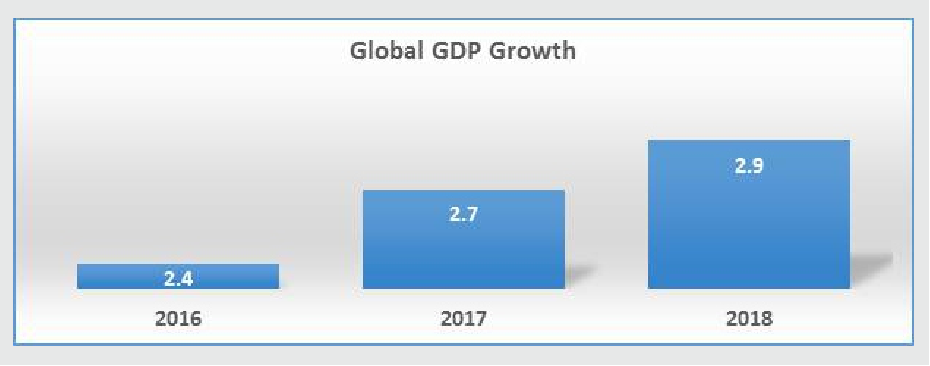
Global manufacturing activity remained stable in June according to the latest Purchasing Manager's Index (PMI) data. The JPMorgan PMI, compiled by IHS Markit from its various national surveys remained steady at 52.6 in June 2017. At 52.7, the average over the second quarter as a whole was only slightly below that for the first quarter (52.9).

OPEC's decision to extend production cuts to March 2018 interrupted the month-long price decline with a barrel of Brent crude, the global crude benchmark, rallying to trade around $50.00. However, the rebound turned out to be short-lived. Oil price has remained stubbornly below the key psychological $50 per barrel level, closing at $47.92 per barrel on June 30th, amid growing concerns of an over-supplied market. Production in Nigeria and Libya, which were both exempt from the OPEC-led production cut deal, has recovered far quicker than anticipated.

Heading into the second half of the year, clarity is improving on many fronts, but substantial risks cloud the outlook, namely: new trade restrictions which could derail the welcome rebound in global trade, and persistent policy uncertainty which could dampen confidence and investment.

GLOBAL ECONOMY

GLOBAL GDP GROWTH



Source: World Bank

GLOBAL ECONOMY
UNITED STATES/EURO AREA

1.1 UNITED STATES

The Commerce Department said that gross domestic product (GDP), the broadest measure of economic health, grew at an annual rate of 1.4% in the first quarter — better than a previous estimate of 1.2% and double the initial estimate of 0.7%. The upgrade reflects new-found strength in consumer spending and exports.

US non-farm payroll data, which measures job creation, rose by 222,000 jobs in June from an upwardly revised 152,000 jobs added in May. This was the highest number of jobs added in four months as employment rose for health care, social assistance, financial activities and mining. Despite the number of jobs added, the unemployment rate ticked up marginally to 4.4% in June from 4.3% in May.

Economic activity in the manufacturing sector expanded in June at the fastest pace in three years, according to the Institute for Supply Management's (ISM) purchasing manager's index for US manufacturing. June's index reading was 57.8, up from 54.9 in the previous month.

Retail sales - a measure of consumer spending at stores, restaurants and websites - fell 0.2% in June from the prior month to mark the second straight drop. Retail sales had declined a revised 0.1% in May. According to the Commerce Department, retail sales were weighed down by declines in receipts at service stations, clothing stores and supermarkets. Americans also cut back on spending at restaurants and bars, as well as on hobbies.

The US consumer price index (CPI) increased 1.6% in June, held down by retreating energy and food prices, after rising 1.9% in May. Year on year (y-o-y), CPI has been softening steadily since February, when it clocked a five-year high of 2.7%.

Consumer confidence strengthened in June, with the Conference Board's index for consumer sentiment rising to 118.9 for June from 117.6 in May. The gain suggest that consumers were slightly more positive about economic conditions.

The US Federal Reserve increased its Fed funds rate range to 1.00% – 1.25%, an increase of 25 basis points. It also announced its intention to start gradually shrinking its balance sheet, although it did not specify the starting period.

Recent data all point toward potential improvement in the months and quarters ahead following sluggish first quarter GDP growth. The recent improvement in job growth with moderate wage gains allows for consumption growth without the need for an accommodative central bank. Meanwhile, anticipated fiscal legislation may provide further incentives for businesses to take economic risks, such as investing in property, plant, and equipment, to position for future growth. Overall, growth is expected to edge up slightly to 2.8% and 2.5% respectively in Q2 2017 and Q3 2017 respectively.

1.2 EURO AREA

GDP growth accelerated to 1.9% y-o-y in Q1 2017 from 1.8% in Q4 2016. This was the strongest growth rate since the first quarter of 2015, and was mainly boosted by fixed investment and household consumption.

Eurozone manufacturing growth gained further momentum in June. The IHS Markit's Manufacturing PMI rose to 57.4 in June, up from May's 57.0. June's reading was the highest since April 2011 and was comfortably above the 50 level that separates growth from contraction.

The European Commission consumer sentiment indicator rose to minus 1.3 in June from minus 3.3 in May - its highest level since April 2001. The fact that the reading remains in negative territory implies that consumer sentiment remains on the bearish side. However, with this being the second survey after the French elections, receding political risk likely lifted confidence.

The unemployment rate came in at 9.3% in May, the same rate as in April, which was the lowest rate since March 2009. In the corresponding month last year, the unemployment rate was 10.2%. Consumer prices in the currency area climbed 1.3% y-o-y in June, slightly slower than the 1.4% increase seen in May. The fall in inflation was driven by the fading influence of energy price increases (of which oil is a major component), which slowed to 1.9% in June from 4.5% in June.

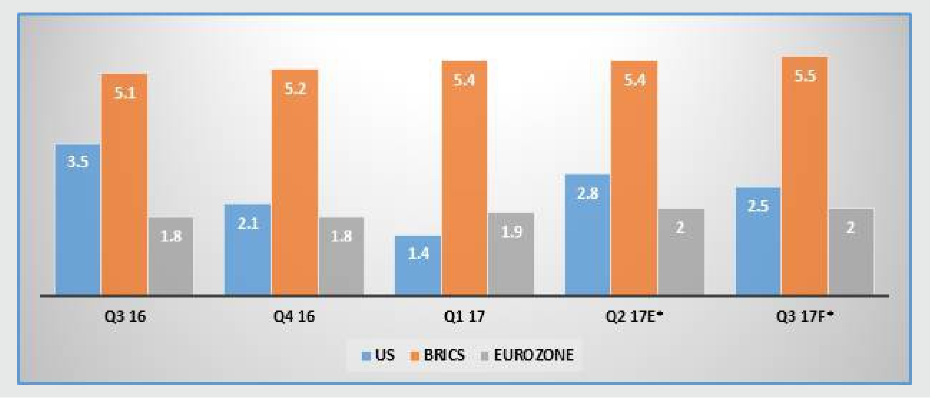
At its regular monetary policy meeting in June, the European Central Bank (ECB) decided to keep its policy rate unchanged and to maintain the pace of its bond-buying programme at €60 billion per month. The Eurozone trade surplus narrowed in April to 17.9 billion euros, from a surplus of 26.6 billion euros a year earlier. Exports went down

2.8% y-o-y, the first decline in six months, while imports rose 2.7%. Industrial production in the Eurozone increased 1.3% y-o-y in May, following a 0.3% gain in April. The higher industrial output in May was mainly due to the higher production of nondurable consumer goods, durable consumer goods, intermediate goods, and capital goods.

Lending to households in the Eurozone grew at a faster pace in May while lending to firms held steady. Lending to households picked up by 2.6% in annual terms after 2.4% growth in the previous month, the ECB said. Lending to businesses increased by 2.4% in May, matching the previous month.

Further pickup in economic momentum is expected in the second half of 2017 due to higher investments and exports (as a result of a stronger global economy), less stringent fiscal policies, acceleration in bank lending and easy monetary policy. Further, moderately higher household spending should also support growth in the second half of 2017 - due to an improving labour market and rising consumer confidence. GDP growth is expected to tick up to 2% in Q3 2017, matching Q2's estimated outturn.

GDP Growth Rate & Forecasts – Regional Comparison



Source: Bloomberg
e*: Estimate
f*: Forecast

1.3 BRICS

Brazil

Brazil, the largest economy in Latin America returned to growth in the first quarter of 2017, with a quarter-on-quarter expansion of 1% compared to a 0.5% contraction in Q4 2016. The growth in Q1 2017 was mainly driven by the rise in exports.

In May, Moody's Investors Services lowered the nation's outlook to negative from stable and kept its rating at two levels below investment grade at Ba2. Moody's assigned the worsening Brazil outlook to uncertainties for economic reform, and therefore economic growth, following yet another corruption scandal.

The annual inflation in Brazil decreased to 3.00% in June, down from an increase of 3.6% in the previous month. June's fall was driven by lower food, housing and transport prices, the institute said. The reading was slightly above the central bank's inflation target floor for 2017, of 2.5%.

The Brazilian Central Bank in May cut its base interest rate by a full percentage point to 10.25% from 11.25%. The decision by the bank's Monetary Policy Committee is the sixth reduction in a row and follows the path of downward inflation.

Brazil's unemployment rate dropped to 13.3% in May, following 13.6% in the preceding month. The latest rate is the lowest since February, when it was 13.2%.

Brazil's consumer confidence weakened in June after strengthening in the previous month, figures from the Getulio Vargas Foundation showed. The consumer confidence index fell by 1.9 points to 82.3 in June from 84.2 in May. The survey revealed that the decline in June may be a reflection of increased political uncertainty stemming from corruption allegations against president Temer.

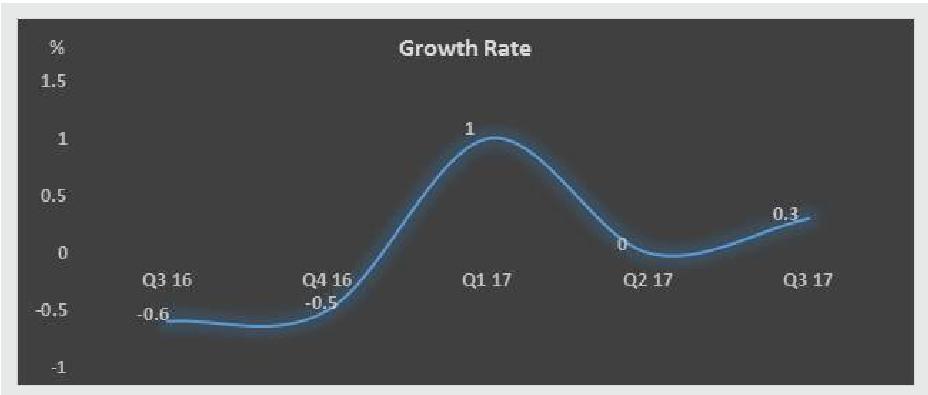
Brazil posted a current-account surplus of $2.9 billion in May, higher than $1.2 billion in April. The 12-month current-account deficit fell slightly to $18 billion in May, compared with $19.8 billion the month before. The 12-month current-account deficit was equal to 0.96% of gross domestic product, compared to 1.06% of GDP reported for the previous month.

The Purchasing Managers' Index compiled by research firm Markit dropped to 50.5 in June from 52.0 in May. However, the manufacturing PMI level standing above 50 in June indicates the third consecutive month of expansion in the sector.

Widespread public unrest, sweeping corruption scandals and deepening polarisation will keep political risk elevated over the coming quarters, weighing on investor sentiment and contributing to extreme uncertainty in terms of policy direction.

Despite the Q1 improvement, the outlook for Brazil's economy remains weak with widespread public unrest and sweeping corruption scandals likely to weigh heavily on Brazil's growth prospects. The economy is estimated to have recorded zero growth in the second quarter of the year, while growth is forecast to rise marginally to 0.3% in the third quarter.

GDP Growth Rate & Forecast – Brazil



Source: Bloomberg

GLOBAL ECONOMY
BRICS

Russia

Russia's economic recovery gathered pace in the first quarter ending with 0.5% growth. This follows the 0.3% growth in the last quarter of 2016 and marks consecutive quarters of positive economic growth. Before the fourth quarter of 2016, the Russian economic growth was negative for eight straight quarters.

Russian manufacturing activity continued to expand in June, though it did so at the slowest pace in 11 months as growth in output and new orders slowed. The Markit PMI headline reading dropped to 50.3 in June from 52.4 in May, holding narrowly above the 50.0 mark that separates expansion from contraction.

Russian retail sales increased 0.7% from a year earlier in May after a revised gain of 0.1% in April. These two months mark the first positive readings since the end of 2014. The rebound came entirely from nonfood items.

Consumer inflation in Russia accelerated to 4.4% in June from 4.1% in May. The jump was mostly driven by higher food prices. The core inflation rate, which excludes volatile components like food, fell to 3.5% in June.

The Russian central bank trimmed its key interest rate by a quarter point to 9% in June, its third rate cut this year, citing subdued inflation and economic recovery. It also signaled more reduction in future, as inflation approaches its 4% target.

FX reserves held by the Russian central bank rose to $412.24 billion at the end of June, an increase of $6.52 billion from a month earlier.

Unemployment Rate fell to a seasonally adjusted annual rate of 5.2%, from 5.3% in the preceding month.

Russia remains vulnerable to a renewed fall in commodity prices, tighter sanctions, and sluggish reforms, but is expected to continue ticking up, growing at an estimated 1.1% in Q2 2017 before rising to 1.7% in the third quarter.

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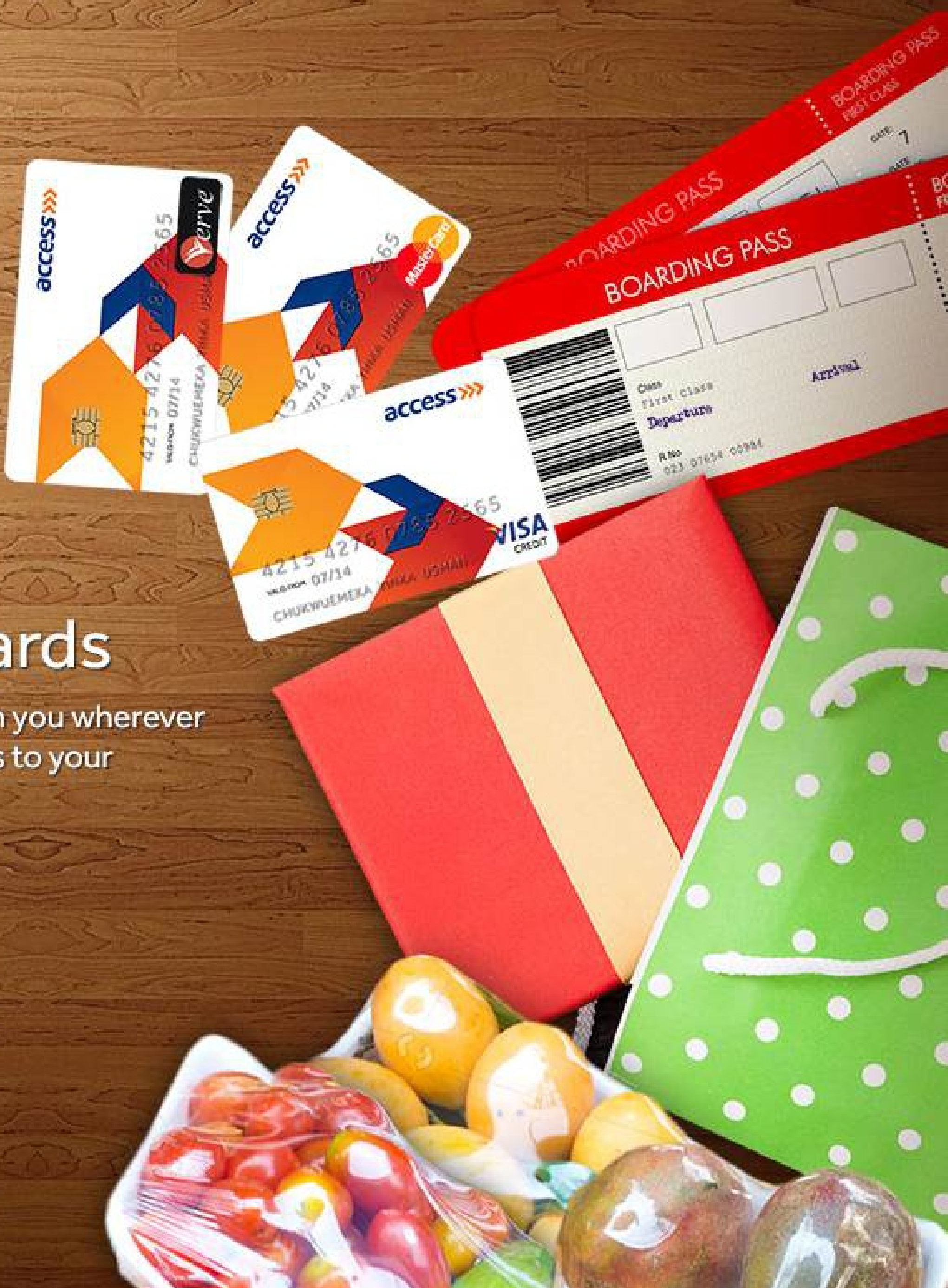

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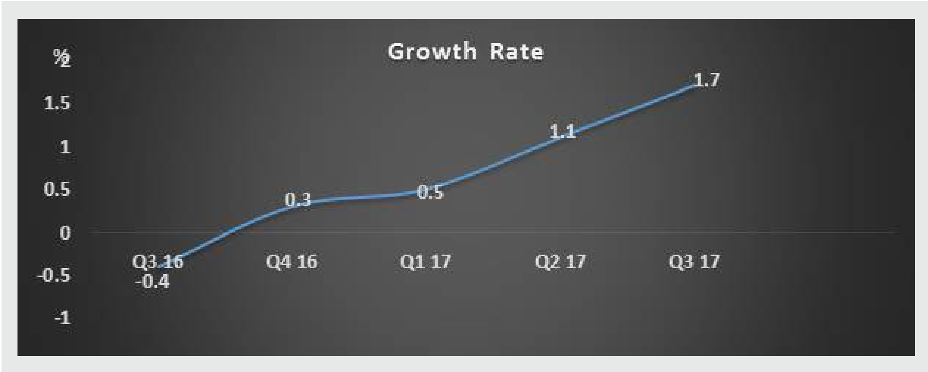
Growth Rate & Forecast – Russia



Source: Bloomber g.

India

India's real GDP growth slumped to 6.1% y-o-y in Q1 2017, compared to 7% y-o-y in the previous quarter. The growth deceleration in Q1 2017 mainly reflected the liquidity squeeze caused by Prime Minister Modi's ban on old 500 and 1,000 rupee notes. The slowdown means that India has lost its place as the fastest growing economy to China, which grew by 6.9% in Q1.

Global rating agency Fitch Ratings affirmed India's sovereign rating at 'BBB-', the lowest investment grade and just a notch above 'junk' status, and kept the outlook Stable. It said that India's sovereign ratings continue to be constrained by limited improvement in the fiscal position, but also pointed out that the positive GDP growth outlook stands out globally.

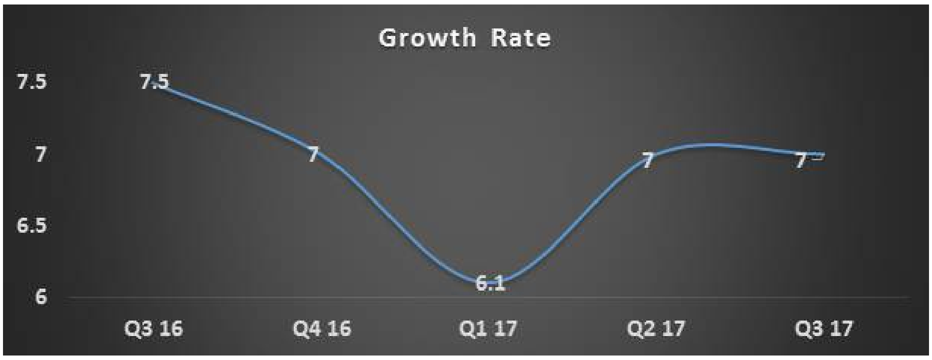
Consumer inflation cooled to record low of 1.54% in June, dipping from 2.18% in May, led by a fall in food prices. This is the lowest inflation reading since the government started publishing an economy-wide consumer price index in 2012. The Reserve Bank of India (RBI) kept rates unchanged in June.

Manufacturing sector growth in the country moderated to a four-month low in June amid weak client demand at companies, water scarcity and concerns related to the goods and services tax. The downturn was signalled by the headline Nikkei India Manufacturing Purchasing Managers' Index (PMI) which slowed to 50.9 in June from 51.6 in May.

India's trade balance stayed in negative territory in May 2017 at $13.8 billion in May, which was a greater shortfall than the $6.8 billion shortfall recorded in May 2016. Imports stood at $37.9 billion, representing a huge 33.1% y-o-y rise. Meanwhile, exports in May 2017 stood at $24.01 billion, or 8.3% higher than in May 2016.

The ongoing reform drive in India will be a key driver of the country's economic continued impressive growth. High levels of bureaucracy, combined with vested interests and significant levels of legislative autonomy for state governments mean that Prime Minister Narendra Modi could struggle to implement key reforms. A lack of progress in these key reforms could weigh on India's growth trajectory. Growth is estimated to rise to 7% in Q3, matching an estimated 7% in Q2.

Growth Rate & Forecast - India



Source: Bloomberg

GLOBAL ECONOMY
BRICS

China

China's economic growth held steady in Q2 2017, boosted by strong trade and consumer spending, despite fears that tighter lending controls aimed at containing spiralling corporate debt levels and property prices are weighing on economic activity. Output grew 6.9% in the three months ending in June, in line with the previous quarter

China's factory output grew 7.6% in June from a year earlier, the fastest pace in three months, while fixed-asset investment expanded 8.6% in the first six months of the year. FAI includes capital spent on infrastructure, property, machinery and other physical assets.

Moody's downgraded China's credit rating for the first time in almost 30 years. The rating was lowered by one notch to A1 from Aa3. The downgrade reflected the agency's expectation that "China's financial strength will erode somewhat over the coming years, with economy-wide debt continuing to rise as potential growth slows".

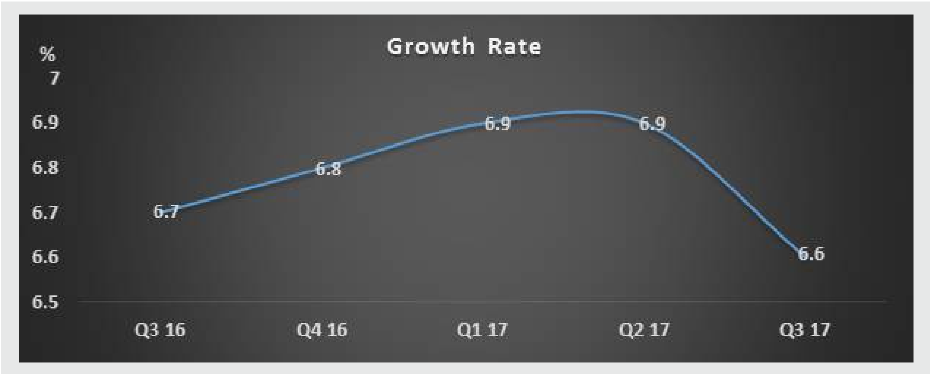
China's headline CPI inflation rose 1.5% y-o-y in June 2017, the same pace as in May. The slower rise in consumer prices and the slump in commodity prices helped to keep inflation stable in June.

The official manufacturing PMI, which focuses on large state-owned companies, ticked up to 51.7 in June from 51.2 in May. In recent months, factory activity has been benefiting from the Chinese government's continued infrastructure stimulus measures.

The Chinese central bank's foreign exchange stockpile swelled by $3.22 billion in June to $3.056 trillion – the highest level in eight months. June's rise marked the first time that reserves had climbed for five months in a row since June 2014.
Leading global equity index compiler, Morgan Stanley Capital International (MSCI), announced its decision to include 222 Chinese A-shares in one of its most traded indexes, citing positive changes in the accessibility of the A-share market.

Slower credit growth and higher funding costs due to supervisory tightening are expected to have an effect on fixed-asset investment and activities, driving growth lower to around 6.6% in Q3.

Growth Rate & Forecast - China



Source: Bloomber g.

South Africa

Following on from the 0.3% contraction in Q4 2016, the 0.7% contraction in Q1 2017 means South Africa is technically in recession, defined as two straight quarters of negative growth. The main culprits were the manufacturing and trade sectors which contracted 3.7% and 5.9% respectively.

According to the latest Quarterly Employment Statistics (QES), the economy shed 48,000 formal non-agricultural jobs in the first quarter of 2017. The quarterly drop can largely be attributed to sharp job losses in trade (32,000) and business services (23,000). Community services, manufacturing and transport lost 8,000, 4,000 and 1,000 jobs respectively.

On 9th June, Moody's downgraded SA one notch to a 'Baa3' rating (just above junk status) and kept a negative outlook. The agency noted that there was "evidence of systemic corruption, excessive reliance on the courts and the risk of judicial overreach" which affected the strength of SA's institutions. In addition, Moody's cited rising public debt amid a weaker growth environment as a reason for the downgrade.

The ABSA manufacturing PMI collected by South Africa's Bureau of Economic Research fell to 46.7 in June from 51.5 in May. June's reading was the second time so far this year that the measure has fallen below the 50 mark that divides expansion from contraction.

Figures released by the official statistics agency - Statistics South Africa - showed that retail sales rose by 1.7% y-o-y in April after increasing by revised 2% in April. The increase was mainly driven by higher sales in food, beverages and tobacco in specialised stores as well as pharmaceuticals, medical goods, cosmetics and toiletries.

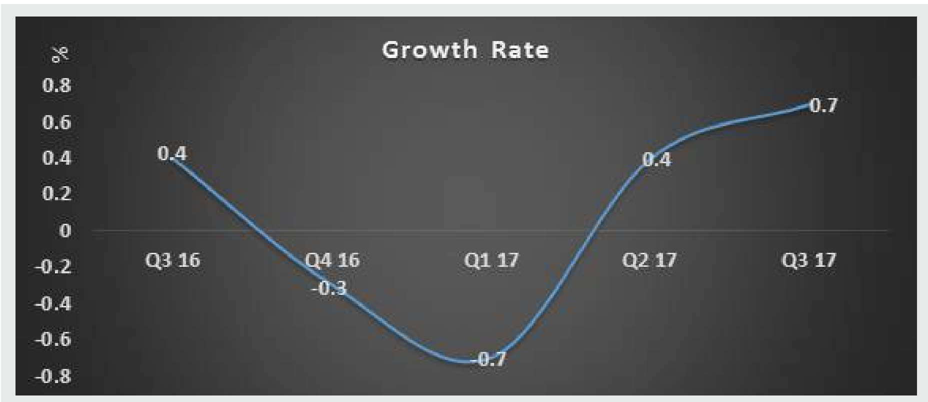
GLOBAL ECONOMY
BRICS

The South African Chamber of Commerce and Industry's (SACCI) monthly business confidence index (BCI) ticked up to 94.9 in June from 93.2 in May. The business confidence index averaged 95 in the first six months of 2017 compared with 93.6 in the first six months of 2016 and 93.3 in the second half of 2016.

The South African Reserve Bank (SARB) kept its benchmark interest rate unchanged at 7% on 25th May. The benchmark rate has now remained unchanged for a year. Helped by the strengthening currency and subdued economic activity, inflation fell back into the SARB's inflation band (3 – 6%) in March. The latest inflation reading in May was 5.4%, while core inflation was 4.8%.

Growth in South Africa will accelerate only slowly in the coming year, with a weak business environment, still-low metals prices and structural obstacles tempering gains in the manufacturing and mining sectors. Q3 GDP growth is forecast to rise to 0.7%, marginally higher than an estimated 0.4% in Q2.

GDP Growth Rate & Forecast – South Africa



Source: Bloomberg

2.0

THE NIGERIAN ECONOMY

THE NIGERIAN ECONOMY

Below is a snapshot of the domestic economy in Q2 2017.

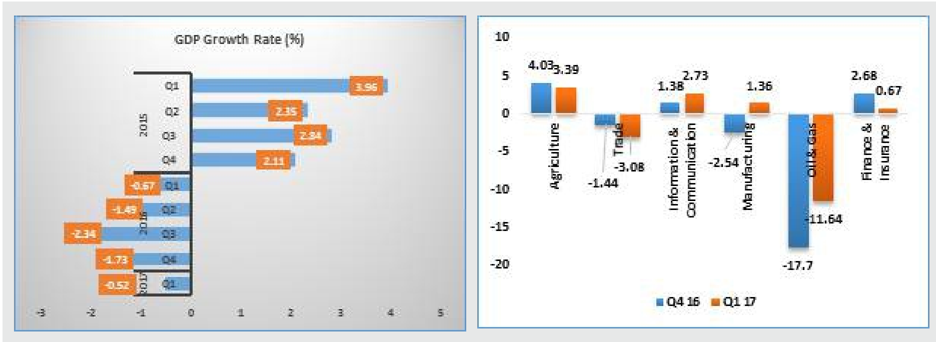
Higher cost of borrowing due to rising yields in the fixed income market	Credit to Private Sector decreased slightly	The parallel market exchange rate continued to appreciate, and converged closely with the NAFEX rate
Stock market sustained a bullish streak	Foreign reserves continued to hover above $30 billion.	Inflation continued to decelerate
Improving security situation in the North-East region	Benchmark interest rate retained at 14%	Oil Prices ticked slightly lower

2.1 GDP GROWTH

Nigeria's Q1 2017 GDP outturn confirmed the country is still struggling to emerge from the recession it plunged into in 2016. The economy shrank by 0.52% in the first three months of 2017, an improvement from a 1.73% fall in the last quarter of 2016. The contraction of the oil sector slowed to 11.64% y-o-y in Q1 17 relative to the 17.7% decline recorded in Q4 16. Oil output stood at 1.83 million barrels per day (mbpd) in the first quarter, in contrast with 2.05 mbpd in Q1 2016. The non-oil sector returned to positive growth region, growing by 0.72% y-o-y in Q1 2017 (compared to -0.33% y-o-y in Q4-2016 and -0.18% y-o-y in the corresponding quarter of 2016). Relatively strong performances by the agriculture (particularly crop production) and the information and communication industries supported output growth in this sector.

THE NIGERIAN ECONOMY

GDP Growth Rate – Nigeria

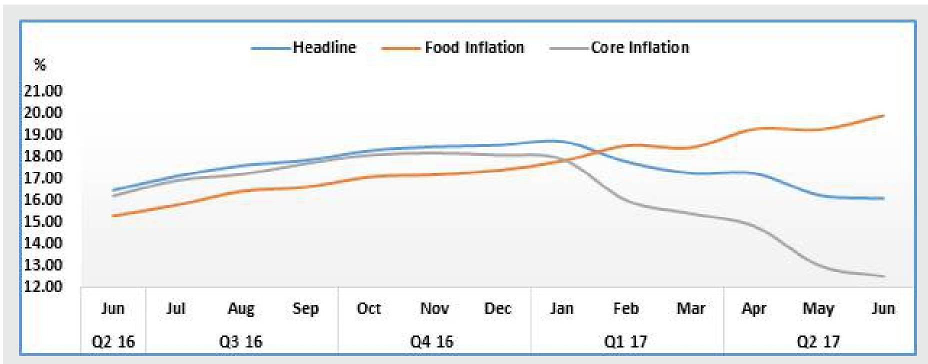


Source: NBS

2.2 INFLATION

The Consumer Price Index (CPI) report for the month of June, showed that the inflation rate moderated for the fifth consecutive month this year. Driven largely by the effect of a high base, the headline inflation rate ticked lower to 16.1% in June, 15 basis points (bps) down from 16.25% in May. Considering the sub-components, food prices ticked higher, with the annual reading at 19.91%, compared to 19.27% in May. Meanwhile, core inflation, which excludes farm produce, increased at a slower pace for the 8th consecutive month, rising by 12.50% y-o-y in June, down by 0.50 percent points from rate recorded in May (13%).

Inflation Year-on-Year

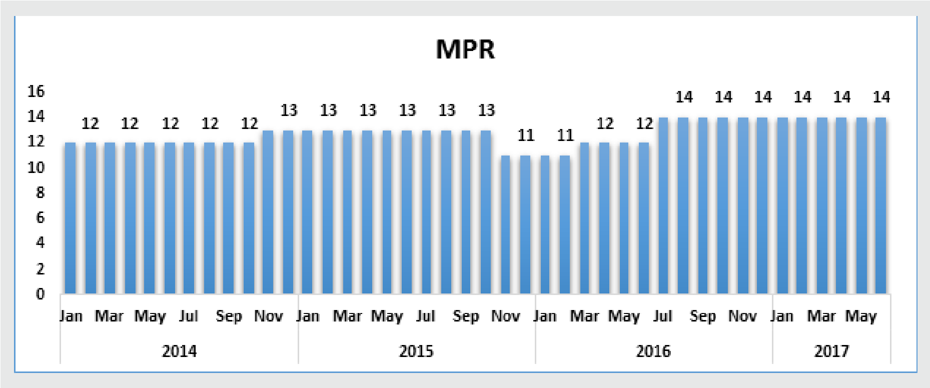


Source: NBS

2.3 MONETARY POLICY

At its 22-23 May monetary policy meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) unanimously decided to leave the monetary policy rate as well as all other monetary policy parameters unchanged, meeting market expectations. The monetary policy rate remained at 14% and the asymmetric corridor at plus 200 and minus 500 basis points around the key rate. Additionally, the Committee left the liquidity ratio unchanged at 30.00% and the cash reserve ratio stable at 22.50%.

Trends in MPR

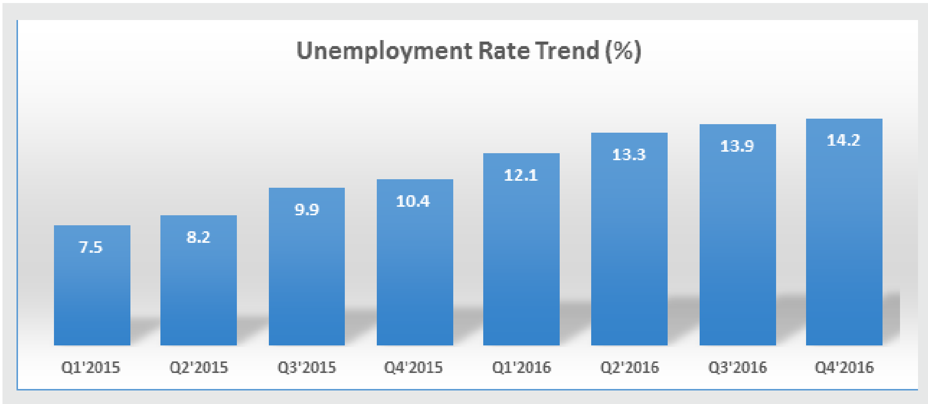


Source: NBS & CBN

2.4 UNEMPLOYMENT

Nigeria's unemployment rate rose to 14.2% in the fourth quarter of 2016, data from the National Bureau of Statistics (NBS) showed. The bureau disclosed that the rate rose from the 13.9% recorded in the preceding quarter of the year under review. According to the bureau, the population of unemployed was 28.58 million persons in the 4th quarter, compared to 27.12 million in the 3rd quarter. The report further stated that in Q4 2016, the labour force population (i.e. those within the working age population willing, able and actively looking for work) increased to 81.5 million from 80.67 million in Q3 2016, representing an increase of 0.6% in the labour force during the quarter.

Unemployment Rate Trend (%)



Source: NBS

2.5 EXTERNAL RESERVES

Nigeria's foreign exchange reserve stood at $30.29 billion on June 30th, down by 0.03% from $30.3 on March 31st. Compared to a year ago, the reserves showed a 14.8% rise, when they stood at $26.36 billion. Year-to-date, external reserves have gained $4.44 billion. The country's stockpile of foreign reserves have grown this year, largely due to the rise in global oil prices. Compared with the first half of 2016, when oil prices sank to a 12-year low near $27 a barrel, oil prices have averaged $52.40 per barrel in the first half of 2017. Bonny light, Nigeria's crude benchmark, settled at $47.55 per barrel on 30th June. The apex bank disclosed in its data on foreign exchange utilization for May 2017 that it granted access to requests for foreign exchange, valued at $3.12 billion.

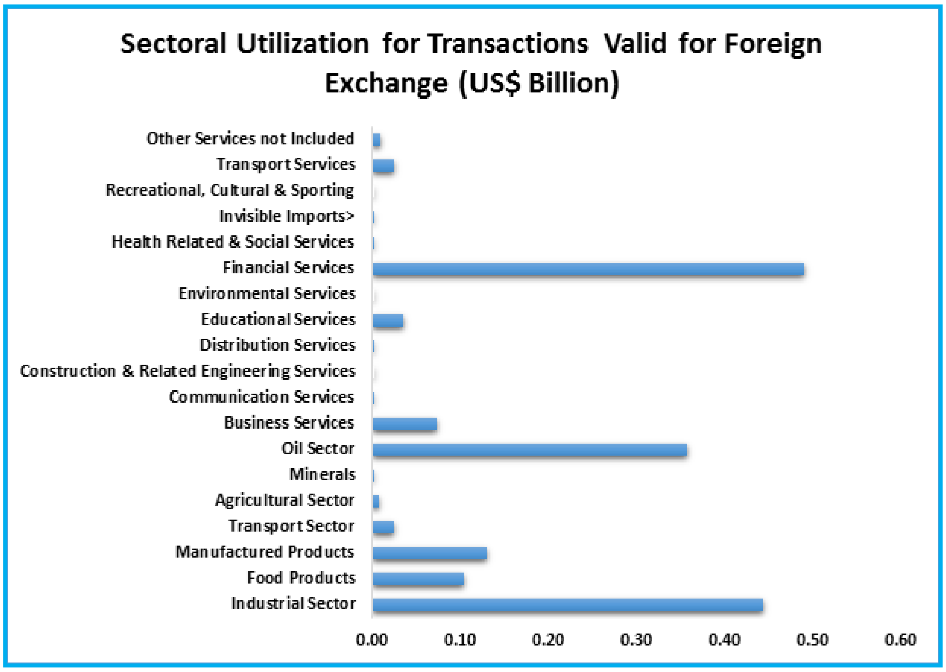
This amount consisted of $1.84 billion and $1.28 billion for visible and invisible trades, representing 58.97% and 41.03%, respectively.

A breakdown shows that in May the Financial Services sector got the highest share of $939 million, accounting for 30.03% of the total forex allocation for the month. The Industrial and Oil sectors received $819 and $448 million or 26.25% and 14.36% respectively, while Manufactured Products received $294 million or 9.42%.

External Reserves and Crude Oil Price (Bonny Light)

Source: CBN

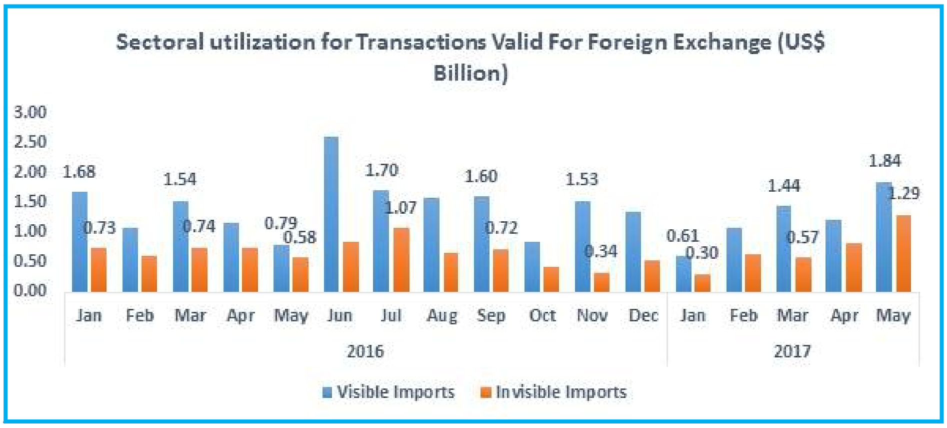
Sectoral FX Utilisation (US$ Million)*



*As at May 2017

Source: CBN

FX Utilisation (US$ Million)

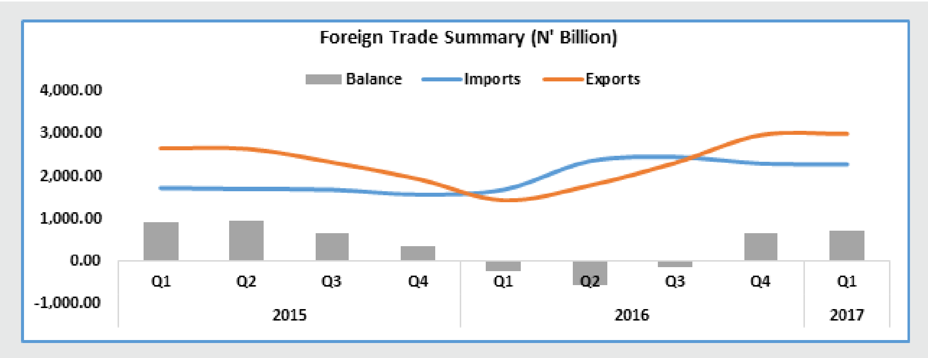


Source: CBN

2.6 EXTERNAL TRADE

The total value of Nigeria's merchandise trade stood at N5.29 billion at the end of Q1 2017, representing a slight increase of 0.1% over N5.28 billion recorded in the preceding quarter. The NBS, which released its data, explained that the marginal rise in exports, coupled with a slight decrease in imports brought the country's trade balance to N719.4 billion during the period, up from N671.3 billion. According to the NBS, the value of exports increased by 0.9% compared to the previous quarter while imports fell by 0.9% relative to the value recorded in the preceding quarter. Total exports for the period under review stood at N3.00 billion, while total imports from various countries was N2.28 billion. This represents the second consecutive positive trade balance after four quarters of negative trade balance.

Foreign Trade Summary

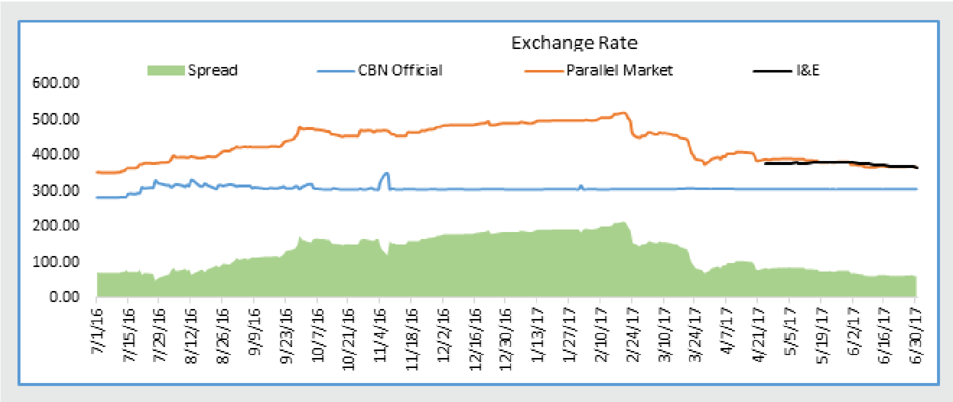


Source: CBN & NBS

2.7 EXCHANGE RATE

The naira continued to show signs of strength on consistent liquidity injections by the CBN. The local unit exchanged at N305.9/$ and N367/$ in the CBN official and parallel segments of the market respectively on June 30th compared to N306.35/$ and N390/$ in that order at the end of March. The increased CBN interventions have helped narrow the spread between the parallel market and the official interbank to N61.10, down from N83.65 on March 31st. At the Investors and Exporters (I&E) window (established in April by the apex bank, the local unit closed at N366.41/$ on 30th June, converging closely with the parallel market rate which settled at N367/$ on the same day. In addition to the creation of the I&E window, other policy actions enacted by the CBN during the quarter with the aim of boosting FX liquidity included; the introduction of shorter-dated forward currency contracts (delivery ranging from 7 - 30 days), introduction of a Form Q which will be used by SME's to access a maximum of USD20,000 per quarter at a special FX window, increment of the limits on banks' FCY borrowings to 125% of shareholders' fund and commencement of weekly sales of USD40,000 to BDC operators.

Foreign Exchange Rate: CBN Official, I&E and Parallel



Source: CBN & FMDA

2.8 STOCK MARKET

Having declined by 4.5% in the first quarter of the year, the Nigerian bourse began the second quarter on a similar negative note. However, the market rebounded in April following the introduction of the new window for investors and exporters (I&E) with the index spiking 11.92% within three weeks. From a low of 25,516.34 on March 31st, the All Share Index closed by the end of June at 33,117.48, while market capitalization surged to N11.45 trillion at the end of June from N8.83 trillion on March 31st. This translated to a gain of N2.62 trillion.

A three-month review of sectoral indices for the period ended June 30th, 2017 showed that banking stocks significantly outperformed the benchmark index and other sectoral indices at the Nigerian Stock Exchange (NSE).

The NSE Banking Index, which tracks price appreciation in the most active banking sector, indicated average return of 45.11% for the second quarter, almost a double of the average year-to-date return of 29.78% for the overall stock market.

The NSE Pension Index, which tracks a portfolio of stocks specially screened for pension investment in line with the pension investment guidelines, recorded the second highest return with a three-month gain of 45.04%.

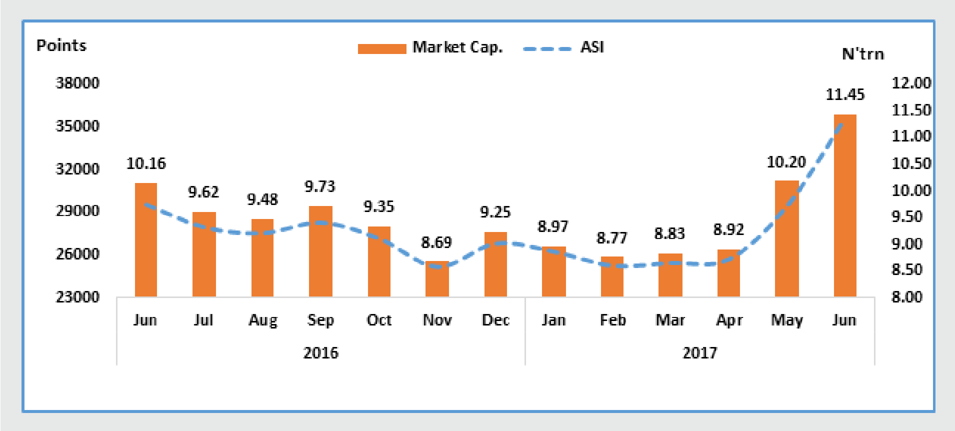
The NSE 30 Index, which tracks the 30 most capitalised stocks that largely comprise of banking and industrial goods stocks, recorded average return of 32.40% within the period.

The NSE Insurance Index recorded a return of 11.34%. The NSE Consumer Goods Index posted a gain of 26.70%. The NSE Oil and Gas Index recorded the lowest return of 10.51% on the main board.
The NSE Lotus Islamic Index, which tracks stocks that comply with Islamic investment guidelines, indicated a return of 19.90%.

The NSE Industrial Goods Index posted a return of 21.03%.

However, the NSE ASeM Index, which tracks equities on the Alternative Securities Market (ASeM) for emerging stocks, posted a negative return of 1.69% within the second quarter of the year.

Nigerian Stock Exchange and Market Capitalization

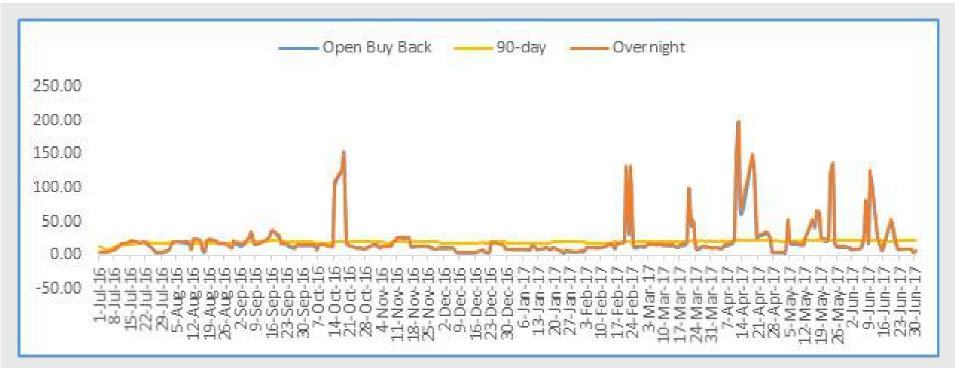


Source: NSE

2.9 NIBOR

Money market rates witnessed significant oscillations in the second quarter of the year, largely influenced by monetary and exchange rate developments and CBN liquidity management efforts. The Overnight (ON) and Open Buy Back (OBB) interbank rates settled at 5.75% and 5.33% in that order on June 30th from peaks of 138.33% and 133.33% respectively recorded in May. Rates across longer-tenored instruments were less reactive, with the 90-day rates hovering around 20% since March. The 90-day NIBOR closed at 21.61% on June 30th, relative to 20.93% recorded on March 31st.

Interbank Lending Rates



Source: FMDA

2.10 SOCIO-POLITICAL LANDSCAPE

The socio-political scene witnessed several developments, notably;

Nigeria's National Assembly passed the 2017 Appropriation Bill of 7.441 trillion Naira, in May, as recommended by the joint committee on appropriations and finance. The 7.441 trillion Naira passed by the legislators, represents an increase of 150 billion Naira compared to the sum of 7.29 trillion Naira submitted by President Muhammadu Buhari in his proposal last December. The passage of the bill came after the appropriation committees of the Senate and the House of Representatives had separately presented their harmonised reports on the budget for consideration.

Also in May, the Federal Government announced it had negotiated the release of 82 of the more than 200 schoolgirls kidnapped by Boko Haram group more than three years ago, securing their freedom in a prisoner swap deal. President Muhammadu Buhari has made the war against Boko Haram and the release of the Chibok girls a top priority since his election in March 2015.

In June, the federal government announced it had released about N375.8 million for payment of 20 whistleblowers who provided information that led to the recovery over N11.6 billion. The Ministry of Finance, which confirmed the release in a statement, said the payments were the first under the Whistleblower Policy. In line with the policy, each whistleblower would be entitled to a minimum of five per cent of the money involved in the corruption case reported. The payment of the money would however be made after the successful recovery of the affected sum to government coffers, while informants whose info provide false hint, risk prosecution and jail.

The Code of Conduct Tribunal in June dismissed the case of false asset declaration against Nigeria's Senate President, Bukola Saraki. In the ruling, the tribunal chairman said the prosecution had failed to prove its allegations. The Code of Conduct Bureau had in September 2015 slammed a 13-count charge of corruption on Mr. Saraki. In charge number ABT/01/15, dated September 11 and filed before the Code of Conduct Tribunal, Mr. Saraki is accused of offences ranging from anticipatory declaration of assets to making false declaration of assets in forms he filed before the Code of Conduct Bureau while he was governor of Kwara state. According to the charges, the Senate President was also accused of failing to declare some assets he acquired while in office as governor.

2.11 FINANCIAL SECTOR DEVELOPMENTS

The Central Bank of Nigeria (CBN) suspended its earlier directive on the implementation of cashless policy. In a circular released in April, the apex bank instructed banks to revert to old charges and refund customers who had been debited. The CBN had earlier announced new charges on deposit and withdrawals above a threshold of N500,000. The apex bank had directed banks to charge 5% and 10% for deposits and withdrawals above N40m in the corporate category. The bank had fixed 1.5% and 2% for deposits ranging from N500,000 and N1 million in the individual category. However, in a subsequent circular signed the director, banking and payments system department, the monetary regulator said the existing policy before the announcement of the new policy shall remain in place in Lagos, Ogun, Kano, Abia, Anambra, Rivers and Abuja.

In May, acting President Yemi Osinbajo signed two new laws that would help facilitate access to more affordable credit facilities for businesses in the country. The laws include the Secured Transactions in Movable Assets Act, 2017 (otherwise known as Collateral Registry Act) and the Credit Reporting Act, 2017. The Collateral Registry Act ensures that Micro, Small and Medium Enterprises (MSMEs) in Nigeria can register their movable assets and accounts receivable in the National Collateral Registry and use same as collaterals for accessing loans. The Credit Reporting Act provides for credit information sharing between Credit Bureaux and deposit lenders as well as other institutions that provide services on credit such as telecommunication companies and retailers.

The Central Bank of Nigeria on Wednesday May 17th, released a 36-item list of materials that the apex bank considered 'Valid for foreign exchange'. This was in response to the apparent confusion, misconceptions and inquiries that occurred in recent weeks. According to the latest circular, the items included, among others, animal or vegetable fats and oil fractions, hydrogenated (not including palm oil/Olein and margarine); prepared glues and adhesive based on polymers of headings 39.01 to 39.13 or on rubber; other plates, sheets, film, foil and strip of polymers of ethylene printed (only for pharmaceutical manufacturing); and bobbins, spools, cops and similar supports of paperboard etc.

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OUTLOOK FOR Q3 2017

Outlook for Q3 2017 and Beyond

- The apex bank will likely maintain benchmark interest rate at 14% in an attempt to anchor the downward inflation trend. Despite the ongoing deceleration in inflation, it is still significantly above the target corridor of 6-9%.

- The dis-inflation trend is expected to continue this year, supported by stabilizing food prices and sustained improvement in FX dynamics. We project inflation at 14.4% at end-Q3 2017.

- We expect the central bank to continue operating a number of different exchange rates by supplying the market with dollars at different levels of pricing.

- The decline in GDP is expected to slowdown in Q2 2017 to about -0.51%, and about 0% in Q3 2017. The continued movement towards positive growth is anchored on recovery in the oil sector (on less disruptive output) and stronger growth in the non-oil sector (on continued improvement in the foreign exchange space, commencement of capital releases, and continued growth in agriculture).

- The equities market is likely to sustain the recent uptrend driven mainly by the sense of improving access to FX by the foreign portfolio investors through the I&E window, impressive corporate earnings releases and continued moderation in inflation rate.

- Foreign reserves are expected to remain above $30 billion as the resumption of oil exports on the Forcados pipeline should bolster inflows to reserves.

- More initiatives at reducing poverty and creating jobs.

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