



HOW WOULD RECENT EVENTS AFFECT
YOUR FINANCIAL INVESTMENTS?

FIND ANSWERS ON THE
ARM WEEKLY ECONOMIC
& FINANCIAL COMMENTARY

Weekly Economic & Financial Commentary

...for the week 6th August – 10th August 2018

Summary

Global Economy

- ◆ Turkey's currency hit a record low of 6.07 against the U.S dollars having lost more than half of its value this year. Notably, the duo impact of patchy economic data together with heightened diplomatic tension between Turkey and U.S continued to weigh on the country's exchange rate. Over in the U.S., headline inflation was unchanged at 2.9% YoY in July. However, the closely watched core-index surged to a 10-year high of 2.4% (June: 2.3%). On a MoM basis, headline CPI advanced 0.2% on the back of rise in food (+0.1% MoM) and energy (+0.2% MoM) prices. Elsewhere, after a slowdown in Q1 18—on the back of weather-induced drag, U.K's GDP bounced back, posting 0.4% QoQ growth in Q2 18 (Q1 18: 0.2% QoQ) as the impact of warmer weather and royal wedding largely supported the heavily weighted service sector. Elsewhere, Japan's GDP returned to growth in Q2 18 as it expanded 0.5% QoQ (Q1 18: -0.2% QoQ) driven by higher private consumption (+0.7% QoQ vs. Q1 18: -0.2%) which contributes more than 60% of Japan's GDP.

Domestic Economy

- ◆ Total petroleum product import in Nigeria declined 9.8% QoQ (+3.3% YoY) to 6.1 billion litres in Q2 2018 reflecting steep decline in Premium Motor Spirit imports (-15% QoQ to 4.8 billion litres). We note that import printed lower despite petroleum product consumption staying almost unchanged (-1% QoQ to 6.4 billion litres) over the quarter. Precisely, total consumption in Q2 18 trumped the amount of petroleum products imported in the quarter by 257 million litres. We link this to sizable import (+34% QoQ to 6.8 billion litres) in the previous quarter which most likely fed into petroleum reserves and supported consumption over the period.

Equities

- ◆ The Nigerian equity market advanced its losing streak for the second week in August as the NGSE index shed 289bps to close the week at 35,446.47pts. The weak performance was steered by sell pressures in Seplat (-8.45%), Flour Mills (-8.89%), Dangote Cement (-6.55%), Dangote Sugar (-3.13%), FBNH (-4.00%) and Guaranty (-2.62%). Clearly, none of the bellwether stocks closed in the green region as Nigerian Breweries, Nestle and UBA closed flat. Dissecting the performance on a sectorial basis, all the sectors closed negative save the Brewers, with Cement (-6.26%), Oil & Gas (-1.98%), Insurance (-1.64%), Banking (-1.51%), Food (-0.93%) and Personal Care (-0.53%) leading the decliners.

Fixed Income

- ◆ Tides turned in the Nigeria fixed income market this week as average fixed income yields rose 21bps WoW to 13.29%. This mirrored selloff at both ends of the curve. To buttress, amidst mild sell offs at the short end of the curve and CBN's OMO sale (₦377.1 billion), Treasury Bill yields edged higher (+20bps WoW to 12.51%). At the long end of the curve, investors sold off bonds (+23bps WoW to 14.07%) as market interpreted the shift in Bond auction date as FG's desperation to ramp up borrowings at its next auction.

The week in Review

- Turkey's currency hit record low of 6.07 against the U.S dollars having lost more than half of its value this year. Notably, the duo impact of patchy economic data, together with heightened diplomatic tension between Turkey and U.S continued to weigh on the country's exchange rate. Over in the U.S., headline inflation was unchanged at 2.9% YoY in July. However, the closely watched core-index surged to a 10-year high of 2.4% (June: 2.3%). On a MoM basis, headline CPI advanced 0.2% on the back of rise in food (+0.1% MoM) and energy (+0.2% MoM) prices.

- Elsewhere, after a slowdown in Q1 18—on the back of weather-induced drag, U.K's GDP bounced back, posting 0.4% QoQ growth in Q2 18 (Q1 18: 0.2% QoQ) as the impact of warmer weather and royal wedding largely supported the heavily weighted service sector. Elsewhere, Japan's GDP returned to growth in Q2 18 as it expanded 0.5% QoQ (Q1 18: -0.2% QoQ) driven by higher private consumption (+0.7% QoQ vs. Q1 18: -0.2%) which contributes more than 60% of Japan's GDP).

Global Equities		Index Returns (% Index Characteristics							Global Fixed Income					Global Currencies					
Country	Index	Level (in \$)	WoW (%)	YTD (%)	52-Wk (%)	P/E (x)	Mkt. Cap (\$'bn)	Div. Yld (%)	1-Yr Tenor	WoW (pps)	10-yr Tenor	WoW (pps)	Inflation (%)	This Week	Prior Week	WoW (%)	YTD (%)		
US	S&P 500	2,837	-0.1	6.1	16.3	20.6		1.9	2.39		2.86	N/A	N/A	2.9	Euro (€)	1.1	1.2	-1.5	-5.1
	NASDAQ	7,857	0.6	13.8	26.4	54.7	11,947.6	1.0	0.66	0.0	1.24	0.7	2.4	GBP (£)	1.3	1.3	-2.0	-5.7	
UK	FTSE ASI	7,667	0.1	-0.3	3.7	17.1		4.3	-0.24	3.4	0.88	-5.6	2.1	JPY (¥)	110.7	111.3	0.5	1.8	
France	CAC 40	5,415	-1.2	1.9	5.9	16.7	1,049.2	3.3	-0.13	0.0	0.08	0.1	0.8	INR (₹)	68.8	68.6	-0.3	-7.2	
Germany	XETRA DAX	12,424	-1.5	-3.8	3.4	14.1		3.2	2.76	3.2	3.40	3.3	2.1	CNY (¥)	6.8	6.8	-0.3	-5.0	
Japan	NIKKEI 25	22,298	0.0	-2.1	13.0	16.1	5.4	2.0	7.24	-0.1	7.75	-0.1	3.93	MXN (\$)	18.9	18.6	-2.0	3.8	
China	Shanghai Comp	2,795	0.0	-15.5	-12.9	13.6	4,340.0	2.8	8.08	0.2	7.73	-0.2	4.81	RUB (p.)	67.7	63.3	-6.5	-14.8	
Brazil	Ibovespa	76,135	-6.5	-0.3	13.6	17.6	33.7	3.9	25.74	-14.3	20.34	-11.6	15.85	ZAR (R)	67.7	63.3	-6.5	-14.8	
India	BSE Sens	37,869	0.8	11.2	20.1	24.6	546.1	1.5	7.39	3.9	4.35	-1.4	2.5	EGP (£)	17.9	17.9	0.1	-0.5	
Russia	RTS	561	-7.7	-7.1	6.1	5.8	2.6	7.0	18.40	-1.5	16.00	12.8	13.5	KES (sh)	100.5	100.4	-0.1	2.7	
Mexico	S&P/BMV IPC	48,578	-1.5	-1.6	-4.6	21.3		2.2	7.92	0.8	9.26	-1.3	4.6	GHS (¢)	17.9	17.9	0.1	-0.5	
Turkey	Borsa Istanbul	94,940	-0.7	-17.7	-11.9	7.4	0.4	4.5	9.99	-0.2	12.91	0.0	4.4	XOF (F)	580.0	573.9	-1.1	-2.7	
Indonesia	JCI Index	6,077	0.0	-4.4	5.4	20.5	468.0	2.2	14.50	0.0	19.00	0.0	9.97	XAF (F)	590.4	579.0	-1.9	-5.5	
Kazakhstan	KASE Index	2,254	-1.0	4.2	23.5	7.6	1.1	N/A	11.30	-1.7	14.28	-0.6	11.2	NGN (₦)	361.7	362.3	0.2	-0.5	
Vietnam	VN Index	968	0.0	-1.6	25.4	17.4	133.5	1.5	Global Commodities					Global Indicators for the Week					
South Africa	FTSE/JSE ASI	57,703	1.0	-3.0	3.1	17.7		3.4		This Week	Prior Week	WoW (%)	YTD (%)			Latest	Prior		
Egypt	EGX 30	15,924	0.0	6.0	18.3	11.5	11.8	169.7	Brent Crude \$/bbl	72.9	73.2	-0.4	9.0	U.K's Q2 18 GDP (QoQ)		0.4%	0.2%		
Kenya	NSEASI	173	1.0	1.0	6.2	14.1	24.4	4.5	OPEC Crude \$/bbl	72.0	71.5	0.1	11.7	Japan's Q2 18 GDP (QoQ)		0.5%	-0.2%		
Morocco	MSCI MX	318	0.1	-5.6	-6.4	19.3	9.3	3.7	Gasoline \$/gal	204.0	206.6	-1.2	6.4	China Trade Surplus (\$'Bn)		28.05	41.47		
Ghana	GSE Composite	2,867	0.3	11.2	25.9	32.8	4.5	0.9	Natural Gas \$/MBtu	2.9	2.9	3.0	5.3	Australia's Interest Rate Decision		1.5%	1.5%		
Tunisia	TunIndex	8,342	-0.5	32.8	35.0	21.8	0.8	1.8	Gold \$/t oz	1211.3	1214.9	-0.3	-7.0	U.S Consumer Price Index, July (YoY)		2.9%	2.9%		
BRVM	BRVM	208	-0.9	-14.2	-17.0	24.7	25.0	1.6	Sugar \$/lb	10.5	10.9	0.0	-30.7	China's Consumer Price Index, July (YoY)		2.1%	1.9%		
Mauritius	SEMDEX	2,234	-0.3	1.5	2.4	22.1	9.2		Wheat \$/bsh	578.8	579.8	-0.2	20.1	Canada's Uemployment Rate - July		5.8%	6.0%		
Nigeria	NGSE ASI	35,446	-2.89	-7.31	-6.97	10.3	35.9	5.0	Crude Palm oil IYR/MT	2242.0	2196.0	0.0							

Source: Bloomberg, Reuters, ARM Research

The week in Review

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- ◆ Precisely, total consumption in Q2 18 trumped the amount of petroleum products imported in the quarter by 257 million litres. We link this to sizable import (+34% QoQ to 6.8 billion litres) in the previous quarter which most likely fed into petroleum reserves and supported consumption over the period .

Currency	This Week	Prior Week	WoW (%)	YTD (%)	Report released this week (Click Link below for Full report)
External Reserve (\$'bn)	46.70	47.01	-0.66%	20.47%	* NSR H2 2018 Excerpts - Equities: The divergence... fundamentals or sentiment?
USD/NGN (₦/\$)					* Stock Report: FBN Holdings Plc - Decamping from our prior estimate
NAFEX	362.0	362.67	0.18%	0.46%	* Initial View: Zenith Bank Plc - The light at the end of the tunnel?
Parallel	359.0	358.5	-0.14%	-0.83%	* Initial View: Guaranty Trust Bank Plc - Raising the bar on ROE
Economic Snapshot	Latest (%)	Prior	CHG (pps)	2018 Avg.	
Inflation YoY (June)			CHG (pps)		
Headline	11.23	11.61	-0.4	13.02	
Core	10.39	10.71	-0.3	11.17	
Food	12.98	13.45	-0.5	15.63	
GDP (%) - YoY	Q1 18	Q4 17	FY 17	FY18F	
Real GDP	1.9	2.1	0.8	2.4	
Oil	14.8	11.2	5.5	8.8	News Headline for the week (click news for link)
Agriculture	3.0	4.2	3.4	3.3	* \$43m debt: Shareholders reject sale of 9Mobile
Manufacturing	3.4	0.1	-0.2	2.6	* Pension assets rise to N8.23tn
Services	0.5	-0.8	-0.8	1.3	* Power: 70% of revenue losses come from unmetered consumers
Labor Data (%) - Q3 17			Latest	Prior	* Settlement banks to keep N15b T-Bills at CBN
Unemployment Rate			18.8	16.2	* CBN injects \$210m in foreign exchange market
Underemployment			21.2	21.1	* \$210m forex injection lifts naira
Capital Importation (\$'mn) - Q1 18	Q1 18	Q4 17	QoQ (%)	YoY (%)	* External reserves fall below \$47bn, lowest since April
Foreign Portfolio Investment - Equities	701.61	989.2	-29.1%	588	* First Bank redeems \$300m Eurobond before maturity
Bonds	335.88	309.5	8.5%	N/A	* New power policy will raise tariff by 14% – Discos
Money Mar-	3527.6	2,178.8	61.9%	1567	
ket					* World Bank asks Nigeria to raise non-oil tax collection
Foreign Direct Investment	246.62	378.4	-34.8%	16.7	* FG, states, LGs got N4.1tn in six months
Balance of Payment (\$'mn)	Q1 18	Q4 17	Q3 17	QoQ	
Trade Balance	6,042	5,009	3,032	20.6%	
CA Balance	4,468	3,656	1,974	22.2%	

Source: CBN, NBS, FMDQ, Aboki FX, ARM Research

The week in Review

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- Clearly, none of the bellwether stocks closed in the green region as Nigerian Breweries, Nestle and UBA closed flat. Dissecting the performance on a sectorial basis, all the sectors closed negative save the Brewers, with Cement (-6.26%), Oil & Gas (-1.98%), Insurance (-1.64%), Banking (-1.51%), Food (-0.93%) and Personal Care (-0.53%) leading the decliners.

Index Performance

	Level	Index Returns (%)				
		WoW	MTD	QTD	YTD	1 year
NSE ASI	35446.47	-2.89	-4.24	-7.40	-7.31	-6.97
NSE ASI (\$)	97.92	-2.89	-4.14	-0.08	-0.08	-0.06
Market Cap (₦bn)	12941.18	-2.86%	-3.49	-0.07	-0.05	-0.02
Market Cap (\$'mn)	35749.11	-2.68%	-3.39	-0.07	-0.05	-0.01
NSE 30	1602.31	-2.53	-3.77	-7.86	-8.27	-7.82
NSE Premium	2512.59	-4.98	-5.85	-7.64	-2.01	-2.28
NSE 50	1836.88	-2.46	-3.55	-7.12	-5.81	-4.74
NSE ASEM	809.92	0.00	0.00	-14.71	-25.51	-30.29
NSE Banking	455.47	-1.35	-0.57	-4.32	-4.20	1.20
NSE Insurance	142.96	-1.61	-3.20	-4.97	2.58	2.58
NSE Consumer	845.30	-0.33	-4.01	-8.88	-13.40	-13.65
NSE Oil & Gas	300.50	-5.41	-4.97	-7.03	-9.13	-4.62
NSE Industrial	1694.77	-4.42	-4.82	-15.63	-14.21	-25.33
NSE Lotus	2422.97	-3.23	-4.57	-7.75	-5.37	0.69
NSE Pensions	1336.31	-2.02	-3.80	-10.32	-3.15	4.09

Top 10 Gainers

Company	This Week	WoW
Niger Insurance	0.39	30.0%
Livestock	0.69	7.8%
Consolidated Hallmark	0.32	6.7%
UPDC	1.80	5.9%
Interbrew	32.00	4.9%
Unity Bank	0.88	4.8%
UACN	13.00	3.6%
FCMB	1.91	2.7%
ABC	0.40	2.6%
Cadbury	10.00	2.6%

Top 10 Losers

Company	This Week	WoW
Secure Electronic	0.29	-19.4%
Cornerstone Insurance	0.25	-13.8%
Ikeja Hotel	2.79	-10.9%
Mutual Benefit	0.33	-10.8%
Linkage Assurance	0.72	-10.0%
CAP Plc	28.35	-10.0%
Law Union and Rock	0.90	-10.0%
PrescoVitafoam	3.24	-10.0%
GSK	15.30	-10.0%
Unity Kapital Assurar	0.27	-10.0%

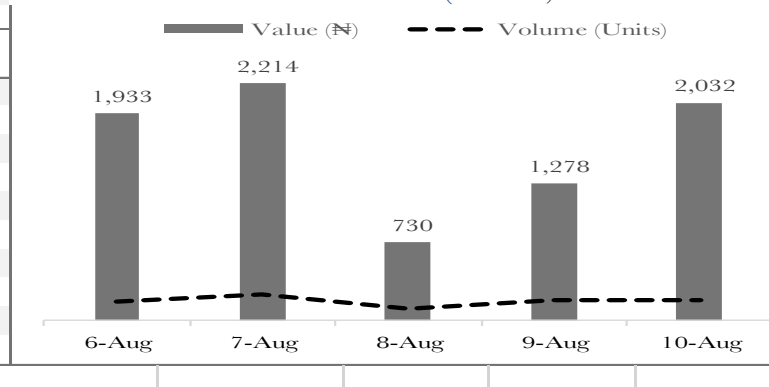
Sector Performance

	Returns (%)		
	WoW	QTD	YTD
Banking	-1.51%	-5.07%	-0.38%
Brewers	0.46%	-10.65%	-23.25%
Cement	-6.26%	-7.71%	-8.18%
Personal Care	-0.53%	-10.16%	3.79%
Construction	0.00%	-5.67%	-6.72%
Food	-0.93%	-5.61%	-5.48%
Insurance	-1.64%	-3.31%	-0.98%
Oil & Gas	-1.98%	-13.27%	-17.15%
Real Estate	0.28%	-0.31%	-2.90%

ARM Indices

	WoW	QTD	YTD
Large Cap (Top 10%)	-3.15%	-6.35%	-6.30%
Mid Cap (Mid 30%)	-1.75%	-10.51%	-7.74%
Small Cap (Bottom 60%)	1.25%	59.83%	-33.40%

Volume and Value Traded (millions)



Source: NSE, Bloomberg, ARM Research

The week in Review

- Tides turned in the Nigeria fixed income market this week as average fixed income yields rose 21bps WoW to 13.29%. This mirrored selloff at both ends of the curve. To buttress, amidst mild sell offs at the short end of the curve and CBN's OMO sale (₦377.1 billion), Treasury Bill yields edged higher (+20bps WoW to 12.51%).

- At the long end of the curve, investors sold off bonds (+23bps WoW to 14.07%) as market interpreted the shift in Bond auction date as FG's desperation to ramp up borrowings at its next auction.

	This Week	Prior Week	WoW change	Primary Market Auction (Rates)	91 Days	250 Days	364 Days	Issuance (N'billion)	91 Days	250 Days	364 Days
Money Market				OMO				OMO			
Overnight (O/N)	9.25%	15.67%	-6.42%	09-Aug-18	11.05%	12.15%		09-Aug-18	27.43	349.6	0.0
Open Buy Back (OBB)	8.42%	15.00%	-6.58%	02-Aug-18	11.05%	12.15%		02-Aug-18	59.00	304.0	0.0
NIBOR - 1M	11.31%	11.87%	-0.56%	26-Jul-18	11.05%	12.15%		26-Jul-18	73.70	275.0	0.0
NIBOR - 3M	12.44%	12.86%	-0.42%	19-Jul-18	11.05%	12.15%		19-Jul-18	60.77	435.5	0.0
NIBOR - 6M	13.80%	14.75%	-0.95%	13-Jul-18	11.05%	12.15%		13-Jul-18	0.01	315.3	0.0
Treasury Bills				Treasury Bills	91 Day	182 Day	364 Day	Treasury Bills	91 Day	182 Day	364 Day
1-month	10.38%	10.18%	0.20%	01-Aug-18	10.00%	10.40%	11.30%	01-Aug-18	9.5	69.6	238.8
3-month	11.54%	10.94%	0.60%	18-Jul-18	10.00%	10.50%	11.49%	18-Jul-18	5.8	26.6	74.6
6-month	12.99%	12.43%	0.56%	04-Jul-18	10.00%	10.30%	11.50%	04-Jul-18	9.50	33.9	58.9
9-month	13.00%	12.93%	0.07%	20-Jun-18	10.00%	10.30%	11.50%	20-Jun-18	3.4	16.9	13.5
12-month	12.86%	12.54%	0.32%	13-Jun-18	10.20%	10.50%	11.50%	13-Jun-18	9.5	47.7	38.2
FGN Bonds (Local)				FGN Bonds	5 Year	7 Year	10 Year	FGN Bonds	5 Year	7 Year	10 Year
16.00% 29-JUN-2019	12.74%	12.64%	0.10%	27-Jul-18	13.69%	14.00%	14.30%	27-Jul-18	8.9	11.6	46.4
15.54% 13-FEB-2020	13.96%	13.31%	0.65%	29-Jun-18	13.50%	13.80%	13.81%	29-Jun-18	8.8	7.9	21.0
14.50% 15-JUL-2021	14.04%	13.68%	0.36%	23-May-18	13.50%	13.50%	13.55%	25-Apr-18	38.3	12.8	39.0
16.39% 27-JAN-2022	13.74%	13.77%	-0.03%	25-Apr-18	12.75%	12.85%	12.89%	23-Mar-18	100.5	89.1	45.1
14.20% 14-MAR-2024	13.99%	13.74%	0.25%	23-Mar-18	13.40%	13.53%	13.60%	23-Feb-18	27.2	0.0	52.4
12.50% 22-JAN-2026	14.19%	14.14%	0.05%	Corporate Bonds			This Week	Corporate Eurobond	This Week	Prior Week	WoW (%)
16.2884% 17-MAR-2027	14.50%	14.02%	0.48%	DUFIL 18.25% 1-SEP-2022	15.59%	15.54%	0.05%	ZENITH 6.25% 22-APR-2019	5.32%	5.15%	0.17%
12.1493% 18-JUL-2034	14.45%	14.22%	0.23%	FCMB 17.25% 8-DEC-2023	15.31%	15.10%	0.21%	DIAMOND 8.75% 21-MAY-2019	9.88%	9.12%	0.76%
16.2499% 18-APR-2037	14.17%	14.18%	-0.01%	FIDELITY 16.48% 13-MAY-2022	14.77%	14.77%	0.00%	FBN 8.25% 07-AUG-2021	8.98%	8.00%	0.98%
FGN Eurobonds				LAPO MFB 17.75% 19-DEC-2022	17.54%	17.46%	0.08%	ECOBANK 8.75% 14-AUG-2021	9.79%	9.84%	-0.05%
6.50% 28-Nov-2027	7.52%	7.04%	0.48%	MIXTA 17.00% 16-JAN-2022	14.85%	14.53%	0.32%	ACCESS 10.50% 19-OCT-2021	8.41%	8.11%	0.30%
7.625% 28-Nov-2047	8.39%	8.19%	0.20%	STANBIC 13.25% 30-SEP-2024	15.05%	14.86%	0.19%	ZENITH 7.375% 30-MAY-2022	7.18%	7.12%	0.06%
7.875% 16-FEB-2032	8.05%	7.72%	0.33%	STERLING 16.50% 3-AUG-2023	14.93%	14.77%	0.16%				
5.625% 27-JUN-2022	5.70%	5.74%	-0.04%	UBA 16.45% 30-DEC-2021	14.75%	14.75%	0.00%				
				VIATHAN 16.00% 14-DEC-2027	15.07%	14.91%	0.16%				

Source: DMO, FMDQ, Bloomberg, ARM Research

Economic and Financial Calendar for the week 13th August - 17th Aug 2018

	Monday	Tuesday	Wednesday	Thursday	Friday
	13-Aug	14-Aug	15-Aug	16-Aug	17-Aug
Global	Italy's Inflation - July	Germany's GDP - Q2 18	U.K. Inflation - July	U.K Retail Sales - July	European Union Inflation - July
	US 3 and 6-month bill Auction	European Union GDP - Q2 18	U.S Retail Sales - July	European Union Trade Balance - June	European Union current account - June
		China's Retail Sales - July	U.S Industrial Production - July	Australia's Unemployment Rate - July	Canada's Inflation - July
		China's Industrial Production - July	Japan's Trade Balance - July		
Domestic		Diesel Price Watch - July	Inflation Report - July		
		Petrol Price Watch - July			
		Pension Assets Data - Q2 2018			

Summary of H1 18 Earnings Released

N'Million	Topline	PAT	EPS	
			H1 18	H1 17
Guaranty	225,185	95,582	3.25	2.84
Zenith	322,201	81,737	2.60	2.40
Conoil	54,481	551	0.79	0.62
UACN	36,982	1,589	0.26	0.51
Diamond Bank	98,503	2,920	0.10	0.40
Forte Oil	61,827	7,917	1.54	1.05
Flourmills*	133,029	3,649	0.90	0.20
NB	95,243	8,231	1.00	1.50
Total Nigeria	156,269	5,674	16.71	13.57
Nestle	135,296	21,458	27.07	20.90
11 Plc	85,911	3,658	1.31	0.69
Seplat	104,794	14,844	25.59	(14.97)
Sterling Bank	77,637	6,214	0.22	0.10
Cadbury	17,554	(424)	(0.23)	(0.41)
FCMB	83,925	5,726	0.57	0.10
CCNN	12,085	2,603	2.07	0.82
OANDO	146,761	4,302	0.24	0.70
PRESCO	11,658	3,990	3.98	5.60
United Capital	3,881	2,011	0.34	0.34
Ecobank	278,613	51,552	1.67	1.30
Lafarge	162,292	(3,902)	(0.45)	3.68
Dangote Flour	56,391	3,251	0.65	1.15
FBNH	286,702	33,520	0.91	0.80
MRS	62,316	506	1.99	2.77
Dangote Sugar	84,077	12,717	1.07	1.43
Transcorp	54,089	10,875	0.12	0.04
* Q1 Result				

Turkey: Caught in a currency quagmire

Over the past few months, Turkey's economy has been laced with tapestry of macroeconomic woes. Despite strong Q1 GDP performance of 7.4% YoY (Q4 17: 7.3% YoY), the stark depreciation in Turkish Lira has negatively impacted different spheres of the Turkish economy. To buttress, being a net importer of crude oil, Turkey currently grapples with high cost of petroleum product following rising crude oil prices (+25% over H1 18 to \$71.2/bbl.) with knock on effect driving current account deficit higher (+2% QoQ to \$16.1 billion in Q2 18). This in addition to interest rates normalization in the US drove massive repatriation of funds out of Turkey. Furthermore, the perceived lack of independence of Turkey's Central bank following President Erdogan's incessant interference with monetary policy decisions further exacerbated FPI exit from Turkey, leaving the country in dearth of US dollars with pass through inciting stark depreciation in the Lira (-60% YTD to 6.07 Lira/USD). While these stoked a hard landing for corporates highly levered with the greenback, the marked depreciation in the Lira also pushed inflation to a five year high of 15.85%. To our minds, given the recent move by the US president to double tariff on steel and aluminium to 50% and 20% respectively, Turkey's economy is on the verge of journeying through a quagmire over the near term.

Table 1: Historical trend in Turkish Lira

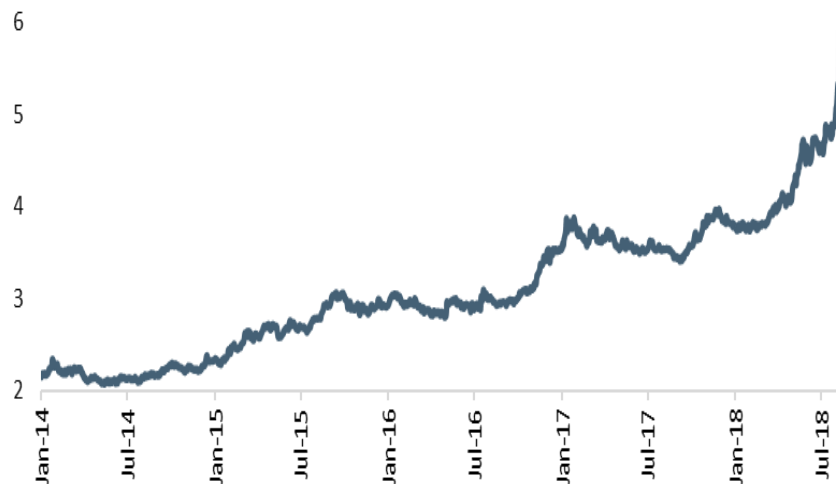
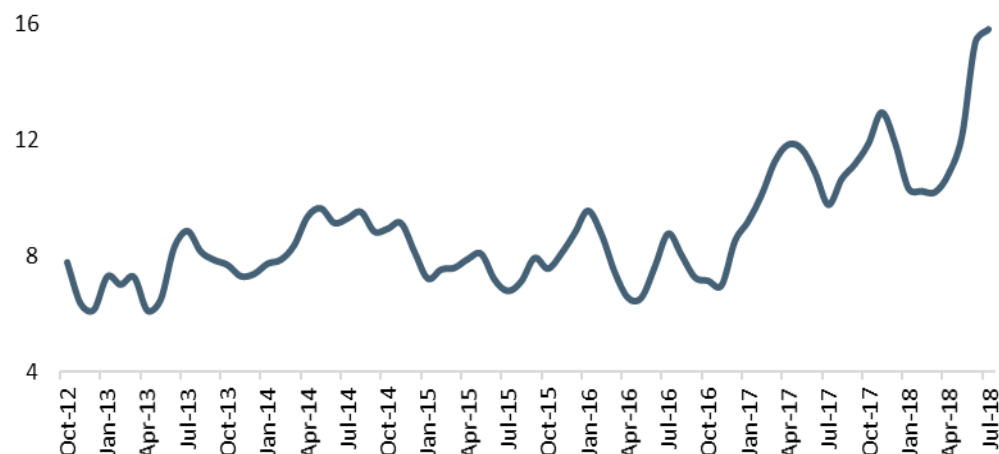


Table 2: Historical trend in Turkey's headline inflation



Source: Bloomberg, ARM Research



Thank You



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