### Global Economy

In the US, gross domestic product expanded at an annual rate of 3.5% in the third quarter according to the Department of Commerce’s third estimate. The reading was upwardly revised from the previous 3.2% estimate, marking the strongest quarterly pace since Q4 2015 and sharply up from 1.4% recorded in the second quarter. The reading was more than two-thirds of economic activity — rose at an annual rate of 3%, up from the previous estimate of 2.8%, while business investment was up 1.4% compared to the prior quarter estimate of a 0.1% increase. Elsewhere, in the Eurozone, the merchandise trade surplus decreased to €220 billion in October 2016 compared to a €232 billion in October of the previous year. Exports decreased 3% and imports dropped 5%. Considering the first ten months of the year, the trade surplus increased to €223.8 billion, compared with €210.4 billion in the same period of 2015. According to the European Union Statistics Agency (Eurostat), exports of goods to the rest of the world decreased 5% year-to-year to €1.72 Trillion and imports declined 3% to €1.52 Trillion. The Eurozone’s trade surplus in goods widened to €210.4 billion in October 2016 from €200.3 billion in October 2015. Exports and imports went down 5% to €146.5 billion and €151.8 billion, respectively. Among the trading partners, the biggest decreases in shipments were reported for South Korea (-9%) and Switzerland (-11%), while in the decline in imports mainly reflected the strong fall in purchases from Norway (-11%) and Russia (-27%). In a separate development in Asia, the Bank of Japan left the interest rate unchanged at -0.1% at its December 2016 meeting. Policymakers also decided to maintain its 10-year government bond yield target around 0%. The Policy Board also decided by a 7-2 vote to purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at an annual pace of about JPY 6.0 trillion and about JPY 90 billion, respectively. As for commercial paper (CP) and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively.

### Local Economy

In the third quarter of 2016, the number of unemployed in the labor force, increased by 544,311 persons, resulting in an increase in the national unemployment rate to 13.9% from 13.3% in Q2. The economically active population measured against the working age population (persons within ages 15-64) and 65 or older) represented 15% and 5% in Q3, respectively. The activity rate for those within the working age population willing, able and actively looking for work increased to 80.67 percent from 79.9 percent in Q2 2016, representing an increase of 0.88% in the labor force during the quarter. The unemployment rate was highest for those within the ages of 15-24 (25.0% in Q3 2016). Unemployment and underemployment was higher for women than men in Q3 2016. In a separate development, the level of investment inflows into the country recorded a huge decline of $4.5 billion from the $8.0 billion in the first two months of 2015 to $5.7 billion in the same period of 2016, according to the capital importation report obtained from the National Bureau of Statistics. A breakdown of the inflow revealed that $710 million investment was recorded in the first quarter of this year, while the second and third quarters had $1.04bn and $1.62bn, respectively. These are against the $2.67bn and $2.74bn recorded in the corresponding periods of the previous year. In another development, the nation’s foreign exchange reserves rose on December 21st to over three-month high of $25bn, according to data on the Central Bank of Nigeria’s website. The last time the reserves recorded this figure was on September 8th when it had the balance of $21.5bn.

### Stock Market

The Nigerian equities market closed on a negative note as the main market indices trended downwards. The Nigerian Stock Exchange (NSE) All-Share Index (ASI) ended by 221.08 points to close at 26,486.02 from 26,707.00 the previous week, also marking capitalization fell by 0.83% to close at N9.11 trillion from N9.18 trillion the week before. This negative turnaround in performance may be attributed to investors selling their stocks prior to the closure of the market for the year. This week, we envisage that prices might be subdued as a result of the holiday and the closure of the market for the year.

### Money Market

Cost of borrowing at the money market rose across all placement tenors as liquidity was slightly drained out of the system. The system liquidity levels were largely same across all tenors at an estimated combination of outflows of N19.59 billion for OMO sales and special foreign sales which exceeded inflows of N449bn from 473 billion in 477 billion last week. The Open Buy Back (OBB) rate edged up to 19.17% from 3.42% the prior week while overnight placement climbed to 20.67% from 4.17%; 30-day NIBOR fell to 10.90% from 17.99% the week previous. This week, interbank lending rates may likely remain elevated as the Central Bank continues to mop up systemic liquidity in a bid to support the currency.

### Foreign Exchange Market

The Naira rose to N295.25/25 a decrease of 0.08% at the interbank FX market, from the rate quoted the previous week. In the same light, at the parallel market, the rate closed at N487/$1, down 0.84% from a rate of N487/$1 the previous week. The persistent slide of the nation’s currency at the parallel market window may be attributed to the increase in demand and acute shortage of the greenback at the retail end of the FX market. We envisage that the naira might depreciate further due to the persistent dollar shortage in the market.

### Bond Market

Bond yields on the average rose as prices rose across most maturities last week. The decline in the closing price on a trade-pair was demand fueled by the taut liquidity in the banking system. Yields on the ten and twenty-year debt papers rose to 13.78% and 15.90% from 13.4% and 15.61% at the close of trades last week. From 13.78% and 15.90% for the corresponding period of the previous year. The ten-year bond index fell by 103.02 points to close at 2,218.65 points with a yield of 13.77% down 1.64% from a rate of N487/$1 the prior week. This week, we envisage low activities at the bond market due to the festive season, therefore, yield may remain around this current levels.

### Commodities Market

Crude oil prices settled higher last week, supported by strong US economic data and optimism that crude producers would abide by the OPEC’s decision to limit output. Brent crude, Nigeria’s reference crude, rose 1.16 cents, or 2.2%, to $54.31 per barrel. In contrast, precious metals prices declined, owing to weaker sentiment among traders due to Fed’s hawkish rate hike announcement. Gold and silver each lost 2.6% and 1.7%, respectively. This week, oil prices are likely to retreat slightly, weighed down by expectations that 1.89s will boost production over the next few months. For precious metals, prices are likely to remain subdued until sufficient demand is met.

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**Note:** Market Analysis and Outlook: Dec 23 – Dec 30, 2016

**Sources:** CBN's Financial Market Dealers Association of Nigeria (FMDIN) and Access Bank Economic Intelligence Group computation.