Market Analysis and Outlook: Sep 23 – Sep 30, 2016

Global Economy
The US Federal Reserve left the target range for its federal funds rate unchanged at 0.25% - 0.50% for this policy meeting in September. Policymakers noted that the case for a rate hike has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives. The vote at the meeting showed that three out of ten members voted for a rate hike. The Federal Reserve in China. A further break down of the report shows that in August, the economy grew by 2.8% year-on-year, following a drop in the prior month. The economy is driven by exports, which rose by 1.5% year-on-year, following a 4.4% drop in the prior month.

In Japan, the country registered a USD 60.6 billion trade surplus. This was contained in the newly released trade report by the Central Bank of China. The report shows that in August, the country gained $13.8 billion from the surplus.

Market Access
The Naira depreciated by 1.42% in the interbank market to a new rate of N131.07/$ compared to N305.65/$ in the previous week. In a similar vein, the Nigerian currency appreciated by 2.84% from a quote of N423/$1 the prior week at the parallel market segment. The liquidity constraint witnessed in the interbank market led some importers with urgent trade obligations to approach the parallel market. This week, further exerted pressure on the Naira at the unofficial market. This week, the Naira was报价 at an average rate of N307.00/$.

Bonds Market
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Commodity Market
Oil prices climbed last week after data released by the US Energy Information Administration showed a surprise drop in US oil inventories. Lower oil prices were driven by a sharp decline in imports of crude oil. Crude oil prices fell for the first time in six weeks, as exports fell less than expected. The US Federal Reserve held interest rates. Higher interest rates are expected to dampen the oil price levels.

Local Economy
The Central Bank Policy Committee (MPC) held its fifth meeting of the year against the backdrop of a subdued global and domestic economic level and financial conditions. The Committee committed to retain the Monetary Policy Rate at 14%. Cash Reserve Ratio at 25.50% and Liquidity Ratio at 30%. The Committee argued that the policy was still necessary to anchor expectations and rebuild confidence in the naira. The MPC was also concerned that the US Federal Reserve was not likely to start normalizing its monetary policy in the near future.

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