Global Economy

In the US, activities in the manufacturing sector declined in August as the Purchasing Managers’ Index (PMI) came in at 49.4, down from 52.6 recorded in July. A reading above 50 suggests expansion while a reading below 50 signal economic contraction. It was contained in the newly released PMI report by the Institute for Supply Management. This new figure represents the lowest rate in seven months, as new orders, production and employment all contracted. Elsewhere, in Asia, the Chinese economy recorded a USD55.05 billion trade surplus in August compared to a USD53.68 billion trade surplus in July. Year on year, growth slowed to 6.3% from 6.7% in July. Economic growth in the Eurozone remained sluggish with growth of 0.3% predicted for the third quarter of the year.

For enquiries, contact: Rotimi Peters (Team Lead, Economic Intelligence) (01) 271 2123

Money Market

Consumer borrowing at the money market rose across most placement tenors as liquidity was slightly drained out of the system. Lower systemic space last week with-trackers of expected combined outflows of N346 billion for foreign exchange remittances, mainly from OMO sales which exceeded inflows of N311 billion from 7-9s maturing in the same week, and N90 billion for infrastructure. The Naira depreciated to a record low of N409/1$ before it gained slightly to close at N415.3/1$ for the week ended September 30. The scarcity of FX at the official market heightened last week as a result of a chunk of retail customer’s demand unmet. Thus, given the back log of unmet FX demand from the previous week, and the persistent FX scarcity, we see the Naira depreciating further at the parallel market segment.

Bond Market

There were mixed reactions in the fixed system space last week with trackers of expected shortfall at the end of the special period on the back of the last liquidity in the system. Funds saw outflows on the 5.7, 7.0 and 11.5 bonds of $14.0, 14.0 and 18.0 per cent, respectively, in the third quarter of the year, and 11.1 and 13.1% in that fortnight ago. The tracker of the 5.7 bond was the highest, with a plus for the week closed at 2.353 points from 2.289 points the prior week. This week we see yields lower again for the tracker of the 5.7 bond, largely indicating a higher demand for debt instruments. Transmission of sentiment arising from the depressing macroeconomic fundamentals coupled with the anticipated low systemic liquidity.

Commodities Market

Crude oil prices pushed higher last week following the Organization of Petroleum Exporting Countries (OPEC) agreement to cut output. Bonny light, Nigeria’s reference crude, settled up $3, or 4.2%, at $48.77 per barrel. Conversely, precious metals prices dished out lower amid uncertainty over whether U.S. monetary policy will remain accommodative. Gold shed 1.2% to $1,321.00 an ounce, while silver fell 2.3% to $19.30 an ounce we week as prices closed marginally lower on profit-taking and fears that higher crude prices due to the OPEC agreement will spook non-OPEC output, particularly U.S. shale producers. The market likely to see prices to settle lower weighed down by stronger expected US economic data.


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