**Market Analysis and Outlook: Apr 14 - Apr 21, 2017**

**Global Economy**
In the United States, the unemployment rate declined to 4.5% in March 2017 compared to 4.7% in February. This is the lowest unemployment rate since May 2007. Data from the Bureau of Labor Statistics (BLS) revealed that the number of unemployed persons dropped by 326,000 to 7.2 million. The labor force participation rate remained at 63.4% in March and the employment-population ratio was 60.1%. Elsewhere in East Asia, China recorded a trade surplus of $13.9 billion in March 2017, rebounding from the trade deficit of $9.15 billion posted in February and higher than the trade surplus of $25.2 billion in the previous year. According to the General Administration of Customs of China, exports in March increased by 16.4% year-on-year on a decline of 1.1% in February, and imports climbed 20.5%, lower than the 38.1% jump in the previous month. In the first quarter of 2017, exports rose by 8.2%. Exports increased to Hong Kong, Japan, South Korea, Taiwan, ASEAN countries, EU countries, South Africa, Brazil, Russia, the US, Australia and New Zealand. Imports rose by 24%, driven by purchases of crude and agricultural products amongst others. The European Union was the major import partner. In the Benelux region, Netherlands recorded the highest increase in consumer prices to 3.81% year-on-year in March 2017, higher than 2.65% increase recorded in February. According to the Central Statistics Office, food inflation slowed to 1.95% from 3.94% in February. Year-on-year, cost of food and beverages increased 2.34%. Inflation rates in rural and urban areas rose to 3.75% and 3.88% from 3.67% and 3.55% in February.

**Local Economy**
The Consumer Price Index (CPI) which measures further decline in consumer prices by 0.1% in March 2017, which is 0.52% lower than the last 17.38% recorded in February. This is the second consecutive month of decline in the headline CPI on a year-on-year basis. Increases were recorded in all Classification of Individual Consumption by Purpose (COCOP) divisions that result in the Headline Index. The food sub index dropped by 18.4%, lower-on-year in March, slightly lower by 0.06% points from 16.53% recorded in February. During the month, slowest increases were recorded in soft drinks, tea, and cocoa. The core sub-index, which excludes prices of farm produce declined by 15.40% year-on-year in March which 0.6% lower than 16% that was recorded in February. In the month, the highest increases were seen in housing, water, electricity, gas & other fuels, education, food & alcoholic beverages, clothing & footwear and transportation services. In another development, the Central Bank of Nigeria (CBN), opened a special foreign exchange window for Small and Medium Enterprises (SMEs), to enable them import eligible finished and semi-finished items not exceeding $20,000 for an enterprise per quarter. The apex bank also reduced the tenor for its forwards foreign exchange transactions from 60 days to 30 days. Under this arrangement, enterprises with employee strength between 10 to 199 and between 14 million and N5 million to less than N50 million will be offered the opportunity to import eligible items within the approved threshold.

**Stock Market**
The local bourse closed on a negative note last week reversing the positive trend observed in previous weeks as the major market indicators trended downwards. The All Share Index (ASI) lost 236.51 points to close at 25,151.01 points from 25,387.52 points the previous week, representing 0.93% decline. Similarly, market capitalization lost 0.93% to close at N8.83 trillion from N8.91 trillion the previous week. The negative performance may be attributed to profit-taking by investors due to the centrically rally in oil and gas stocks and other highly capitalized stocks. This week, we anticipate that the benchmark indices will further trend downwards on profit taking activities by short-term investors.

**Money Market**
Cost of borrowing trended upwards last week across most tenor placements. Short tenor placements such as Open Buy Back (OBB) and Over Night (O/N) rates climbed to 60.83% and 66.83% from 14.67% and 15.25% the previous week. Market liquidity was drained due to the Secondary Market Intervention Sales (SPES) and for dealers in Small and Medium Enterprises (SMEs). Longer tenured rates such as the 13-week and 9-Month rates rose to 18.57% and 21.60% from 16.32% and 20.04% respectively the previous week. This week, rates may likely remain high due to CBN debt for bond auction of about N103.5 billion.

**Foreign Exchange Market**
The naira appreciated by 0.03% at the interbank segment last week to a new rate of N306.05/$ from N306.15/$ the previous week. In contrast, at the parallel market segment, the local currency further depreciated to a rate of N410.00/$ from the previous week’s rate of N405.00/$. The depreciation at the unofficial window may be attributed to demand for customers for foreign currency in anticipation of imports activities. This was despite the $250 million in forwards sold to airlines, fuel importers and businesses and the $100 million sold on the spot market for PSIs and medical fees. This week, naira is likely to remain stable at the interbank segment and appreciate at the unofficial segment due to the commencement of the special window for Small and Medium Enterprises.

**Bond Market**
Bonds yield on the average rose across most maturities last week. The rise came as a result of sell-offs on particular bonds by investors in anticipation of higher rates at the bond auction this week. Yields on the latest offerings of twenty-year debt papers respectively rose to 16.38%, 14.58% and 15.96% from 15.85%, 15.73% and 16.80% respectively the previous week. This week, rates may likely remain high due to CBN debt for bond auction of about N103.5 billion.

**Commodities Market**
Oil prices edged up last week supported by reports that the Organization of the Petroleum Exporting Countries (OPEC) may extend a coordinated production cut beyond the first half of the year. Consequently, Bonny Light, Nigeria’s benchmark crude gained $2.45, or 4.6%, to close at $55.16 a barrel. In a similar vein, precious metals soared as rising global tension supported by a shutdown at Libya’s largest oilfield. For precious metals, heightened demand and drive prices upward. Gold prices rose to $1,285.75 per ounce, while silver climbed 1.0% to settle at $18.55 an ounce. In a similar vein, copper prices rose to $3.81% year-on-year in March 2017, rebounding from the trade deficit of $9.15 billion posted in February and higher than the trade surplus of $25.2 billion in the previous year. According to the General Administration of Customs of China, exports in March increased by 16.4% year-on-year on a decline of 1.1% in February, and imports climbed 20.5%, lower than the 38.1% jump in the previous month. In the first quarter of 2017, exports rose by 8.2%. Exports increased to Hong Kong, Japan, South Korea, Taiwan, ASEAN countries, EU countries, South Africa, Brazil, Russia, the US, Australia and New Zealand. Imports rose by 24%, driven by purchases of crude and agricultural products amongst others. The European Union was the major import partner. In the Benelux region, Netherlands recorded the highest increase in consumer prices to 3.81% year-on-year in March 2017, higher than 2.65% increase recorded in February. According to the Central Statistics Office, food inflation slowed to 1.95% from 3.94% in February. Year-on-year, cost of food and beverages increased 2.34%. Inflation rates in rural and urban areas rose to 3.75% and 3.88% from 3.67% and 3.55% in February.

**Forecast**
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**Sources:**
CBN, Financial Market Dealers Association of Nigeria, NSE and Access Bank Economic Intelligence Group computation.