Global Economy

In the United States, consumer prices declined by 2.4% year-on-year in March 2017 compared to 2.7% in February. It is the lowest inflation rate in three months according to data from the Bureau of Labour Statistics (BLS). The slight fall in the rate was due to a slowdown in energy and services costs. Core annual inflation excluding food and energy dipped to 2% in the previous month. Month-on-month, the food index rose by 0.3%. Consumer prices dropped by 0.3% on a monthly basis.

Elsewhere in East Asia, China’s economy grew by 1.3% in the first quarter of 2017, lower than 1.7% growth in the fourth quarter of 2016. Data from the National Bureau of Statistics of China revealed that year-on-year, the economy grew by 6.9%. The strongest expansion came from the third quarter of 2015. The Chinese government expects the economy to grow by 6.5% in 2017. In a separate development, Japan’s recorded trade surplus of the JPY 614.7 billion in March 2017, lower than the surplus of JPY 834.3 trillion in February and surplus of JPY 748.9 billion in the same period of the previous year. Exports were higher than imports during the month as shown by the Ministry of Finance. Sales climbed by 12% year-on-year to JPY 72.73 trillion. Shipments rose to China, US, Western Europe, Oceanias, Russia and Africa. While exports fell to the Middle East countries. Imports climbed by 15.3% to JPY 6.61 trillion compared to 1.2% increase in the previous month.

Local Economy

This week, the Central Bank of Nigeria (CBN) has suspended till further notice the new withdrawal and deposit processing fee charges above the threshold. The position of the policy would revert to the previous policy before the implementation on April 1st, 2017. The apex bank has stated that the withdrawal fee will be implemented as of May 1st, 2017. This week, we anticipate that the market indices will further trend downwards on profit taking activities by short-term investors.

Market Analysis and Outlook: Apr 21 - Apr 28, 2017

Bonds

The direction of the money market rates was mixed last week. Short tenor placements such as Open Buy Backs (OBB) and Over Night (ON) rates declined to 27.50% and 29.67% from 30.83% and 38.83% the previous week. Market liquidity was boosted as a result of combined inflow from Open Market Operation (OMO) of N25 billion. Lagos state bond maturity of N50 billion and local contractors bond maturity of N116.6 billion. Longer tenor rates such as the 30- and 90-day NIBOR rose to 18.65% and 21.88% from 18.57% and 21.60% respectively in the previous week. This week, we expect further decline due to the maturity of forwards with CBN.

Foreign Exchange Market

The naira weakened by 0.02% at the interbank segment last week to a new rate of N305.85/N$ from N305.73/N$ the previous week. At the parallel market, the local unit significantly appreciated to a rate of N385.50/N$ from the previous week’s rate of N410.50/N$. The appreciation at the interbank segment may be attributed to the policy actions of the apex bank to inject more of the greenback into the financial system, specifically targeting critical sectors and interventions in the form of the window for Small and Medium Enterprises (SMEs) and Bureau of Change (BDCs) operations. This impact may also be the cause of the appreciation in the unofficial market. The naira weakened by 0.02% on the parallel segment as a result of the apex bank’s further boosting dollar liquidity.

Bond Market

Yields on the average rose most maturities last week. The rise came as a result of more selling activity due to tight liquidity in the market. Yields on the seven-, ten- and twenty-year debt papers respectively rose to 16.33%, 14.53% and 16.08% from 16.10%, 14.36% and 15.56% the previous week. The Access Bank 2015/2020 bond yield declined to 27.50% and 29.67% from 30.83% and 38.83% the previous week. Market rates declined to 27.50% and 29.67% from 30.83% and 38.83% the previous week. Market liquidity was boosted as a result of combined inflow from Open Market Operation (OMO) of N25 billion. Lagos state bond maturity of N50 billion and local contractors bond maturity of N116.6 billion. Longer tenor rates such as the 30- and 90-day NIBOR rose to 18.65% and 21.88% from 18.57% and 21.60% respectively in the previous week. This week, we expect further decline due to the maturity of forwards with CBN.

Commodities Market

Oil prices edged lower last week over doubts that the Organization of the Petroleum Exporting Countries (OPEC) would not be able to sustain the current output levels. The dollar strengthened. Gold and the dollar moved inversely as a result of the appeal of dollar-pegged assets for investors. Oil prices dropped by 0.3% on a monthly basis.

Foreign Exchange Market

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