MARKET Analysis and Outlook: August 04 – August 11, 2017

**Global/Economy**

In the Eurozone, the gross domestic product (GDP) accelerated 0.6% quarter-on-quarter in Q2 2017, slightly above the growth of 0.5% recorded in the previous quarter. Figures revealed by the European Statistics Agency (Eurostat) showed that GDP expanded in Spain, but slowed in Latvia, Belgium and Lithuania. No change was witnessed in France and Austria. GDP growth climbed by 0.6% quarter-on-quarter in the European Union. Elsewhere in South America, monetary policy is to remain in place for the July 16, 2017, which is higher than a surplus of $4.6 billion recorded in the previous year. The Ministry of Development, Industry and Foreign trade (MDIC) in Brazil reported that exports exceeded imports by $13.76 billion from $16.33 billion the previous year and imports added 1.1% to become $12.47 billion from $11.75 billion a year before. Considering January to July, Brazil’s trade surplus expanded to $4.25 billion from $2.28 billion in the previous period. In South Asia, India’s benchmark interest rate was lowered by 23 basis points (bps) to 6.5% in the Reserve Bank of India. This is the first cut in rates in 2017, and has resulted in a reduction in borrowing costs. The decision to reduce the interest rate by the Monetary Policy Committee (MPC) is in tandem with its target of achieving an inflation rate of 4% with a range of +/-2% which will in turn spur growth in the economy. India’s inflation rate as at June was 1.54%.

**Commodities Market**

This week, copper ($/lb.) was showing a 3.09% increase to $288.35 from $285.06 the previous week. On the contrary, silver ($/t oz.) showed a decrease of 3.21% to close at $16.73 an ounce. This week, ample supply is likely to regain normalcy and could result in yields swinging upwards.

**Bonds**

Bond market

In the averages, yields on fixed income instruments took a downward dive for the week ended August 4, 2017. The fall in yields may be attributed to inactivity in the market during the first three days of the week, resulting in increased demand for bonds when trading activities resumed later in the week. The Access Bank Bond index rose marginally by 0.35 points to close at 22.34% from 22.30% the previous week. Year-to-date performance on the Access Bank Bond index was close to 22.3% for the week. This week, trading activities are expected to regain normalcy and could result in yields swinging upwards.

**Foreign Exchange Market**

The naira strengthened against the U.S. dollar at the interbank segment by N1,10kobo in the week ended August 4, 2017, to a new rate of N355.51/$ from N356.65/$ the previous week, reflecting the persistent liquidity in the FX market buoyed by rising foreign reserves. Meanwhile, the naira remained unchanged at the parallel market segment with a rate of N365/$. With the nation’s foreign reserves on the rise, the apex bank has the capacity to keep up its effort of providing the needed FX liquidity to the market. Foreign reserve position as at close of last week stood at $10.33 billion.

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