In the United Kingdom, gross domestic product (GDP) advanced by 2% year-on-year in the fourth quarter 2016, the same growth rate registered in Q3 2016. According to the Office for National Statistics (ONS), the major drivers of growth in the fourth quarter were household consumption and fixed investment. Exports declined by 0.4% compared to 1.4% increase in the third quarter. While imports rose by 1.7% compared to 4.2% increase in the previous quarter. On the production side, services industries and construction contributed 3.1% and 1.5% respectively. For the full year of 2016, growth slowed to 1.6% compared to 2.3% growth in 2015 and 3.1% in 2014. Elsewhere in the United States, the Flash Markit US Manufacturing Purchasing Managers’ Index (PMI) declined to 46.3 index points in February from 55 points in January. The survey revealed that growth for new orders increased at an most fastest rate since March 2015. This growth was boosted by strong demand from domestic clients. Greater demand was also reported by manufacturers from energy sectors clients. Manufacturers reported that active cost inflation was at its highest since September 2014. This was mainly driven by increases in the prices of raw materials particularly metals and oil related inputs. In a separate development, Eurozone consumer prices rose to 1.8% year-on-year in January from 1.1% increase in December. The rate was boosted by increase in the costs of food and energy. According to European Union Statistics agency (Eurostat), it is the highest inflation rate since February 2014. The highest annual rates were recorded in Belgium, Latvia, Spain and Estonia with 3.1, 2.9% and 2.4% respectively. In contrast, the lowest rates were recorded in Ireland, Romania, and Bulgaria in that order respectively. Core inflation excluding energy, food, alcohol and tobacco was recorded at 0.5%. Month-on-month consumer prices declined by 0.1% compared to an increase of 0.5% in December.

Domestic Economy

The Central Bank of Nigeria (CBN) has announced a new policy to attract additional funding to the private sector. The need for increased funding is one of the major needs of Nigeria for personal and business travel, and foreign exchange traders and school fees – settled at a rate not exceeding 20% above the interbank market rate. This was contained in a press release titled “New Policy Actions in the Foreign Exchange Market.” For personal travel allowance (PTA), the monetary regulator said applicants must be 18 years old and must have active loan accounts in the banks through which they are applying. The bank also stipulated that the rate of PTA shall be for travel to be undertaken not more than 14 days from the day of the purchase of PTA. Each applicant is entitled to $4,000 per quarter. With regard to the sale of forex for school fees, the CBN noted that applications would be evaluated by the universities education only, that remittances must be made directly to the universities' access to a limit of $15 million per term and per student. The central bank also cut down the time for the tender of foreign currencies from the current maximum cycle of 180 days to not more than 60 days from the date of transaction. In another development, the Federal Government’s Independent Electoral Commission (INEC) has begun the disbursement of funds to the Federal Government’s special foreign exchange intervention fund. The funds will be used to maintain the upward trend to the Central Bank of Nigeria (CBN) planned treasury bills auction of N110 billion naira.

Commodities Market

Oil prices rose last week after data from the American Petroleum Institute showed a drawdown in US crude stockpiles, suggesting that supply-side pressures waned. Crude inventories fell by 884,000 barrels to 512.7 million barrels, data from industry group the American Petroleum Institute (API) showed. Brent rose 4.33% to settle at $51.15 per barrel, 3.21% above its previous week's close. The Access Bank Foreign Exchange Market Index (AFEXI) of N505.50/$1 settled at $1,256.79 an ounce, up $14.37, or 1.2% week on week after minutes from the Federal Reserve’s most recent policy meeting showed officials rebuffed plans for a gradual increase in interest rates. Gold prices have also been on a bullish run, climbing around $1,295 an ounce. For the week, crude prices gained 0.3% increase. Similarly, market capitalization generally gained to close at N87.4 billion from N86.1 trillion the previous week. The upward trend on the local bourse was driven by renewed investor confidence in the economy which emanated from the release of the foreign exchange policy by the Central Bank of Nigeria (CBN) during the previous week. This week, we see market indicators trending upwards in view of improving investor sentiment.

Money Market

The direction of money market rates was mixed last week. Whilst, the CBN and O/N fell to 10.60% and 14.06% from 17.85% and 14.87% the previous week. Slightly lower tenured rates such as the 30-day O/N and 90 days O/N fell significantly to N490/$ from N549/$ the previous week. The government was primarily driven by the release of a revised guideline on the sale of forex for personal travel allowances (PTA) and school fees by the Central Bank, thus diverting demand away from the unofficial market. This week, we see the liquidity position across most maturities. Government securities are however, likely to become more attractive to new market operators due to low demand fuelled by the tight liquidity in the banking system. Yields on the five-, seven- and twenty-year debt papers respectively closed at 16.40%, 16.03% and 15.90%分别 from 16.68% and 18.99% respectively the previous week. The Access Bank Foreign Exchange Market Index (AFEXI) of N505.50/$1 settled at $1,256.79 an ounce, up $14.37, or 1.2% week on week after minutes from the Federal Reserve’s most recent policy meeting showed officials rebuffed plans for a gradual increase in interest rates. Gold prices have also been on a bullish run, climbing around $1,295 an ounce. For the week, crude prices gained 0.3% increase. Similarly, market capitalization generally gained to close at N87.4 billion from N86.1 trillion the previous week. The upward trend on the local bourse was driven by renewed investor confidence in the economy which emanated from the release of the foreign exchange policy by the Central Bank of Nigeria (CBN) during the previous week. This week, we see market indicators trending upwards in view of improving investor sentiment.

Bond Market

Bond yields on the average rose as prices fell across most maturities last week. The spike in bond yields was due to low demand fuelled by the tight liquidity in the banking system. Yields on the five-, seven- and twenty-year debt papers respectively closed at 16.40%, 16.03% and 15.90% respectively the previous week. The Access Bank Foreign Exchange Market Index (AFEXI) of N505.50/$1 settled at $1,256.79 an ounce, up $14.37, or 1.2% week on week after minutes from the Federal Reserve’s most recent policy meeting showed officials rebuffed plans for a gradual increase in interest rates. Gold prices have also been on a bullish run, climbing around $1,295 an ounce. For the week, crude prices gained 0.3% increase. Similarly, market capitalization generally gained to close at N87.4 billion from N86.1 trillion the previous week. The upward trend on the local bourse was driven by renewed investor confidence in the economy which emanated from the release of the foreign exchange policy by the Central Bank of Nigeria (CBN) during the previous week. This week, we see market indicators trending upwards in view of improving investor sentiment.

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