Global Economy

In the Eurozone, Gross Domestic Product (GDP) grew by 0.5% in the fourth quarter of 2016 compared to 0.4% in the growth in the third quarter. According to European Union Statistics Agency (Eurostat), GDP increased by 0.4%, 0.6%, 1.3% and 0.4% for France, Latvia, Lithuania and Belgium respectively. While GDP was unchanged for Austria and Spain at 0.5% and 0.7% respectively. For the whole of 2016, GDP advanced by 1.7% compared to 2% in the previous year. European Central Bank (ECB) has kept its key interest rates this year and 2017.

Market Analysis and Outlook: Feb 03 – Feb 10, 2017

Global Markets

South America: The Mexican peso fell 0.4% to 17.53 per US dollar. Mexico’s economy grew by 1.4% in the last three months of 2016, stronger than the 1.2% previously estimated. Brazil’s economy grew at an annual rate of 0.4% in the last quarter of 2016.

Asia: China’s yuan fell 0.2% to 6.90 per US dollar. Japan’s yen rose 0.3% to 103.80 per US dollar. India’s rupee fell 0.5% to 68.30 per US dollar.

Europe: The euro fell 0.1% to $1.0677. The British pound fell 0.3% to $1.2976. The Norwegian krone fell 0.3% to 9.2980 per US dollar.

North America: The US dollar fell 0.2% to 112.97 per yen. The Canadian dollar fell 0.3% to 1.3336 per US dollar.

The US Federal Reserve left its target range for federal funds at 0.25%-0.50% during January and after a 25 basis points increase in December. According to the Federal Open Market Committee (FOMC), since December, the labor market has continued to gain strength and economic activity has continued to expand at a moderate pace. Unemployment rate remains low and household spending continues to rise at moderate pace as well. Policymakers also observed improvement in business and consumer confidence. Gradual adjustments to the monetary policy, the Committee intends to achieve maximum employment and price stability. In a separate document, Japan’s unemployment rate remained unchanged at 3.1% in December, same as the previous month. The ratio of jobs-to-unemployed increased to 1.43 from 1.41. The number of unemployed persons in December was 2.09 million which was higher than 2.05 million in November. Employment participation rate in December 2016 stood at 60.0% persons to 64.5% and the labour force rose by 1.16 million for periods between ages 15 and 24, the unemployment rate rose by 1.4% from 4.3%. Unemployment rate higher at 3.3% in December of the previous year.

The total value of capital imported into Nigeria in the fourth quarter of 2016 was estimated to be $1,546.88 million, which represents an increase by 0.3% relative to the third quarter of 2016 and a decline of 0.2% relative to the fourth quarter of 2015. According to the National Bureau of Statistics (NBS), the decline relative to the previous quarter was mainly as a result of a decrease in foreign direct investment in banks and money market instruments. Foreign Direct Investment (FDI) and Other Investment both increased. Nigeria ranked as the largest capital importer from the United Kingdom, it accounted for $482.89 million, or 31.18% of the total in the fourth quarter. For the whole of 2016, the United Kingdom made the largest investment in Nigeria, with $2,131.86 million. In 2016, capital importation dropped by 46.86% to $59 billion from $114.6 billion in 2015. FDI fell by 27.83% between 2015 and 2016, while Other Investment increased between 2015 and 2016 by 3.48% due to an increase in loans. In the fourth quarter of 2016, other investment was the largest component of foreign investment in Nigeria and it accounted for $202.03 million or 54.40%. In another development, the Manufacturing Purchasing Manager’s Index (PMI) declined to 48.2 index points in January 2017 compared to 52.0 index points reported in December. This indicates a decline in the manufacturing sector for January. This was shown in the latest PMI report by the Central Bank of Nigeria. A composite PMI above 50 points indicates that the manufacturing sector is generally expanding, while a reading below 50 points indicates a contraction. On the average the index recorded 45.2 points in the last twelve months. Ten sub-sectors out of sixteen sub-sectors declined in January in the following order: primary metal, transportation equipment, paper products, electrical equipment, fabricated metal products, printing & related support activities, furniture & related products; cement; furniture & related products; plastics & rubber products; and chemical & pharmaceutical products. While the remaining six sub-sectors expanded in the following order: paper and allied products, food products; appliances & components; non-metallic mineral products; food, beverage & tobacco products; textile, apparel, leather & footwear; and computer & electronic products.

Stock Market

The Nigerian stock market closed a negative note last week as the major market indicators trended downward. The benchmark market pushed the All Share Index (ASI) down by 25.68 points to 25,802.54 points from 26,128.22 points the previous week representing a 2% decline. Similarly, market capitalization lost 1.8% to close at N18.89 trillion from N19.06 trillion the previous week. The negative performance may have been influenced by profit-taking activities by some investors which resulted in losses by leading blue chip stocks such as Nestle, Nigerian Breweries and Cadbury amongst others. This week, market wind suggests selling pressure may continue and further push indicators lower.

Money Market

The direction of money market rates were mixed for the second consecutive week, whilst the short tenor placement such as the Open Buy Back (OBB) and Over Night (ON) rates ascended, rates on the 91 Day NIBOR fell from 16.40% to 16.33%. Similarly, 14 days and 21 days rates fell from 11.40% to 11.33% and 17.60% to 17.50% respectively. While the Weekly rate fell from 15.90% to 15.86%.

Foreign Exchange Market

The Naira remained stable last week at the interbank market to close at N360.25/US$. In contrast, the naira depreciated to N500/$ crossing the psychological N500 threshold for the first time in the year.

Commodities Market

Oil prices edged higher last week supported by signs that Russia and the Organization of the Petroleum Exporting Countries (OPEC) producers have largely complied with output cutslast month. The upward movement in yields last week was largely due to low demand for government securities as investors seem to be demanding higher yields to hold Nigeria debt. Yields on the five-, ten- and twenty-year debt papers closed at 16.53%, 14.25% and 11.62% respectively from 16.57%, 14.17% and 13.65% for the previous week. The rise in yields is due to maturing payments for the Government.

The Access Bank Bond index fell by 68.19 points to close at 2,208.17 points from 2,276.36 points the prior week, while the 90-day NIBOR dipped to 9.67% on account of the anticipated tight liquidity in the system.

Bond Market

Yields on the average rose as prices moderated downside across most maturities last week. The upward movement in yields last week was largely due to low demand for government securities as investors seem to be demanding higher yields to hold Nigeria debt. Yields on the five-, ten- and twenty-year debt papers closed at 16.53%, 14.25% and 11.62% respectively from 16.57%, 14.17% and 13.65% for the previous week. The rise in yields is due to maturing payments for the Government.

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Commodities Market

Oil prices edged higher last week supported by signs that Russia and the Organization of the Petroleum Exporting Countries (OPEC) producers have largely complied with output cutslast month. A survey found that OPEC members in January delivered about 82% of their deal to lower supply by 1.16 million barrels per day (bpd). Bonny light, Nigeria’s crude benchmark, rose $2.09, or 3.8%, to $56.43 a barrel. a similar vein precious metals prices rose higher at 3.3% in December of the previous year. While the Weekly rate fell from 15.90% to 15.86%.

The past week was relatively quiet with no major releases from Nigeria and other major economies. The retail sales held steady at 4.9% for January and 5.1% for the year.

Future Outlook

The retail sales held steady at 4.9% for January and 5.1% for the year.

Monetary Policy

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Source of Data

CBN, Nigerian Stock Exchange, Lagos, Nigeria

Access Bank Economic Intelligence Group computation.

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