**Market Analysis and Outlook: Jan 13 – Jan 20, 2017**

**Global Economy**

In the past week, consumer prices rose to a 2.1% year-on-year in December compared to 2.3% in November. According to the National Bureau of Statistics, China, inflation climbed 1.8% and cost of services increased to 2.3%. Inflation was 2% for the whole of 2016. And on a monthly basis, consumer prices climbed 0.2% from the previous month and producer prices increased by 5.5% year-on-year in December. Elsewhere, in Europe, the trade deficit in the United Kingdom widened by €2.6 billion to €4.2 billion in November from €1.5 billion in the prior month.

According to the Office for National Statistics (ONS), exports increased by £7.6 billion to £46.3 billion and imports increased by £3.1 billion to £21.5 billion. This was reportedly due to the large inventory of goods, which was increased in the purchases of machinery and transport equipment. Trade deficit in goods was £12.2 billion in November after increasing by £2.3 billion from October. In the second and third quarter of 2016, total trade deficit narrowed by £4.0 billion to £11.0 billion and this reflected a greater rise in exports than imports. In a separate development, the Central Bank of China lowered its benchmark “selic” rate by 75 basis points to 1.5% on January 11. This reduction brought borrowing cost to the lowest since March 2015 in the midst of easing inflation and a severe contraction. The central bank has lowered inflation rate expectations to 4% and 3.5% for 2017 and 2018 respectively. The Gross Domestic Product (GDP) fell 0.6% in the third quarter of 2016 and the manufacturing Purchasing Manager Index (PMI) fell to 45.2 points in December compared to 46.2 point in November, indicating a deeper shrinkage in manufacturing.

**Domestic Economy**

The World Bank predicted that the Nigerian economy would recover from the current recession and Nigeria’s Gross Domestic Product (GDP) would grow by 1% in 2017. This was stated in the institution’s latest Global Economic Prospects report. In another development, the Chinese government has disclosed plans to invest $40 billion in the Nigerian economy in order to deepen relations between China and Nigeria. According to the Chinese Foreign Affairs Minister, Wang Yi, China, and Nigeria, had earlier invested between $60 billion and $80 billion in Nigeria. In a separate development, the government has officially applied to the Central Bank of Nigeria (CBN) for an operational licence to float the proposed Development Bank of Nigeria (DBN). The sum of $1.3 billion will be made available to the DBN and it will be provided by the World Bank, Garman Development Bank (KFW), the African Development Bank (ADB) and the Agence Française de Développement (French Development Agency). The government also clarified that the duties and functions of the DBN would not result in the termination of the Bank of Industry (BOI), Bank of Agriculture (BOA) or any other development finance institution. The DBN will focus on supporting Micro, Small and Medium Enterprises (MSMEs).

**Commodities Market**

Oil prices retreated last week as Iran increased exports, undermining efforts by OPEC producers to curb a global fuel supply glut. Bonny light, Nigeria’s benchmark crude, settled at $32.48 per barrel, down 0.5% to $31.92 the previous week. This week, market liquidity may be attributed to the expected turn in the expected turn in the global economy. The Nigerian stock market may be attributed to the expected turn in the expected turn in the global economy.

**Access Bank Rateswatch**

**Sources:** CBN, Financial Market Dealers Association of Nigeria, NSE and Access Bank Plc - African Intelligence Group compiled.

**Bond Market**

Bond yields on the average rose as foreign market traders focus on supporting Micro, Small and other development finance institution. The DBN clarified that the duties and functions of the DBN will focus on supporting Micro, Small and Medium Enterprises (MSMEs). This week, we anticipate bond prices higher.

**Foreign Exchange Market**

The Naira/Dollar rate remained steady at the interbank market last week as it closed at N305/$, unchanged from the previous week. In contrast, the naira depreciated by 0.81% at the parallel market segment to close at N497/$ compared to the previous week’s close of N493/$.

**Commodities Market**

Oil prices retreated last week as Iran increased exports, undermining efforts by OPEC producers to curb a global fuel supply glut. Bonny light, Nigeria’s benchmark crude, settled at $32.48 per barrel, down 0.5% to $31.92 the previous week. This week, market liquidity may be attributed to the expected turn in the expected turn in the global economy. The Nigerian stock market may be attributed to the expected turn in the expected turn in the global economy.