**Global Economy**

In China, the gross domestic product (GDP) advanced by 6.7% in 2016 compared to 6.9% the previous year. According to China’s National Bureau of Statistics, it is the lowest growth since 1990 but the strongest growth since the fourth quarter of 2015. The Chinese economy advanced 1.7% in the fourth quarter of 2016 compared to 2.8% in the previous quarter. Elsewhere in the United States, consumer prices rose 2.1% year-on-year in December compared to 2.0% in November, according to the United States Bureau of Labor Statistics (BLS). It is the highest inflation rate recorded since September 2014 and was mostly boosted by increases in the prices of fuels. The higher oil prices were driven by continuing weakness in the global economy, tighter supplies from lower production of OPEC and Russia, and cold weather in the United States. Oil prices reached a ten-month high on December 19, 2016.

**Foreign Exchange Market**

The Naira depreciation last week defied the foreign exchange supply shock injected by the Central Bank of Nigeria. The naira closed at N355.50/$ at the interbank rate, a depreciation of 3.8% from N343.65/$ recorded on December 21, 2016. However, the difference is expected to remain as the central bank continues to build reserves to support the local bourse.

**Market Analysis and Outlook:**

**Market Analysis and Outlook:**

**January 20 – January 27, 2017**

**Inflation Rate**

The Nigeria stock market closed on a negative note last week as major market indicators trended downwards. The All Share Index (ASI) shed 102.39 points to settle at 20,252.54 points from 20,355 points the previous week. Similarly, market capitalization fell 0.39% to close at N9.02 trillion from N9.06 trillion the previous week. The poor performance witnessed in the market last week was largely attributed to profit taking by investors under sectors such as banking and consumer goods, following the precipitous gain in recent weeks. This week, the selling pressure may persist as investors continue to take profit from previous high, which may likely extend its losing streak.

**Money Market**

Cost of borrowing at the money market rose across most tenure placements last week. Open Buyback (OBB) and Over Night (O/N) rates climbed to 10.67% and 11.5% from 8.81% and 9.67% the previous week. Slightly longer tenured rates such as the 30-day NBBR spiked to 16.23% from 16.22% the previous week. Upward trend was also witnessed in the foreign exchange market. The naira depreciated at the unoffical market. This week, NBBR rates may likely moderate downwards as federal government (FGN) bond coupon payment of about N82 billion is expected to be credited to the system.

**Commodities Markets**

Oil prices rose last week after the International Energy Agency’s monthly report showed that the gap between supply and demand had narrowed even before cuts agreed by OPEC and other producers took effect. Nigeria’s benchmark crude, Bonny light, up $2.35 at $55.14 a barrel from $52.79 the previous week. In a similar vein, precious metals prices also rose following British Prime Minister’s speech on Brexit and comments on the dollar by US President Donald Trump, which negatively boosted safe-haven demand. Precious metals are considered a store of value by investors, and prices typically rise during times of political uncertainty. Investors at the local market closed the week at $127.20 per ounce, while silver closed at $15.43 at $17.02 per ounce. This week we see indications of a rebound in US wholesale output offsetting recent price gains. For precious metals, the trajectory of prices is likely to be skittish as markets try to digest conflicting signals from major central banks and geopolitical developments.

**Monthly Macroeconomic Forecasts**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Feb’17</th>
<th>Mar’17</th>
<th>Apr’17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate (%)</td>
<td>17.8</td>
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<td>17.6</td>
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<tr>
<td>Crude Oil Price (N/$)</td>
<td>96</td>
<td>96</td>
<td>94</td>
</tr>
</tbody>
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