Global Economy
In the US, gross domestic product (GDP) increased 1.9% year-on-year in the fourth quarter. Personal consumption expenditure (PCE) rose 2.5% compared to 3% in the previous quarter and fixed investment increased by 4.2% compared to the Open Bank Bill (OBB) and Over Night (O/N) rates eased, rates on the longer tenor buckets spiked. Specifically, the OBB and O/N fell to 5.0% and 5.75% from 10.67% and 11.5% the previous week. In contrast, the 30-day NIBOR rose to 18.07% from 17.65% the previous week. And the 90-day NIBOR climbed up to 19.03% from 15.02% the week before. The upward movement of rates in long dated buckets was largely fuelled by the central bank’s large scale repurchase of foreign exchange drained out of the system for Open Market Operation (OMO) sales which exceeded inflows of about N1919 billion from OMO repayment and disbursements to Premium Motor Spirit (PMS) marketers. This week, the apex bank plans to conduct treasury bills auction to raise about N292 billion, based on this, we expect liquidity to be tight, thus NIBOR rates will trend upwards.

Foreign Exchange Market
The trend for the week is up at the interbank market to close at N305.25/$, an appreciation of 0.08% from the previous week. In contrast, the naira retained its rate of 170.80/170.80 in the parallel market segment. The stability of the naira witnessed at the unofficial market may be attributed to the sale of foreign exchange by the Central Bank of Nigeria (CBN) to Bureau de Change (BDC) operators last week which eased the pressure on the market and prevented the local currency from depreciating further. This week, we anticipate the exchange rate at the official window to remain around current levels.

Bond Market
The all-share index (ASI) closed at 26,328 points, an increase of 104.68 points to represent a 0.4% increase from the previous week representing a 0.4% increase. The positive performance of the market is on the back of foreign institutional investors buying stocks in the market as they migrate from local to offshore assets amid an improved corporate earnings outlook. Stock market investors who deduct the cost of collection have received N53.64 billion and the local government received N115.64 billion from the proceeds of the country’s treasury bills. Ongoing tax credits will be paid to the revenue received N41.55 billion after deducting the cost of collection to the revenue generating agencies, while the oil producing states received N15.13 billion as the 13% derivation fund.

Commodities Market
Prices of oil fell last week as a result of an increase in U.S. inventories by 2.9 million barrels to mark the largest build in three weeks. This was reported by U.S. Energy Information Administration (EIA) that Nigeria’s benchmark crude, settled down $1.26, or 2.3%, to $54.34 a barrel. In a similar vein, precious metals prices retreated last week as investors migrated to equities amid an improved corporate earnings outlook. Gold prices, reduced demand for safe haven assets such as gold and silver. Gold prices were down 1.7% to $1,183.80 per ounce, while silver lost 29 cents, or 1.7%, to $16.73 per ounce. This week, we expect the build-up in U.S. crude stocks to continue next week. For precious metals, prices are likely to remain volatile as the markets try to decipher Donald Trump’s economic policies.

Money Market
The direction of money market rates were mixed last week, while the short tenor paper rates remained steady, the longer tenor rates (137 days and up) increased by 17 basis points to remain at 10.67% the previous week. This week, we expect a rise in money market rates as a result of the increased pressure from the external sector to finance the budget deficit.

Stock Market
The Nigerian stock market closed on a positive note last week as market indicators trended upwards. The bull market pushed the Nigerian Stock Exchange (NSE) All-Share Index (ASI) up by 26,328.22 points from 26,222.54 points the previous week representing a 0.4% increase. Similarly, market capitalization increased by 0.14% to close at N9.06 trillion from N9.02 trillion the previous week. The positive performance observed in the market last week may be attributed to improved demand for stocks as well as bargain hunting by investors on fundamentally strong stocks. This week, we expect the positive momentum to be sustained as investors start to take position in the market ahead of the full year 2016 earnings release season.