Market Analysis and Outlook: July 14 - July 21, 2017

Global Economy
In the United Kingdom, the unemployment rate declined to 4.5% between March and May, which is the lowest since May 2005. According to the UK's Office for National Statistics (ONS), this is the rate since June 1975. The number of unemployed persons dropped to 1.49 million people from 1.53 million people between February and April. Elsewhere in Asia, China recorded a slightly higher trade surplus of $42.77 billion in June 2017 from a trade surplus of $30.79 billion in May. The General Administration of Customs of China showed that year-on-year, exports rose by 11.3% to $196.6 billion and imports climbed by 17.2% to $153.8 billion. China's trade surplus in the U.S. expanded to $25.14 billion in the month of June, from $22 billion in the month of May. In a separate development, consumer prices in India rose 1.54% year-on-year in June 2017. This was significantly lower than the rise of 2.18% in May 2017. The lower inflation rate was driven by a fall in food and oil prices as reviewed by government data. The food index fell by 2.12% compared to a fall of 1.05% in May. Inflation rates for rural and urban areas came in at 1.95% and 1.41% respectively.

Local Economy
The Central Bank of Nigeria (CBN) in its economic report for the month of May revealed that Gross Federally-collected revenue in May 2017 was estimated at N56.42 billion, which was lower by 5.3% than the amount received in April. This reflects a decline in both oil and non-oil revenue components. Domestic crude production was estimated at 1.63 million barrels per day (mbpd) or 50.5 million barrels (mb) in the month of May 2017, higher than 1.18 mbpd or 36.5 mb in the previous month. Under foreign exchange transaction, foreign exchange inflow through the CBN was N5.30 billion while foreign exchange outflow through the CBN was $3.02 billion. Aggregate foreign exchange flow through the financial inclusion project rose to N17.94 billion.

Commodities Market
Prices of wheat ($/bu.) expanded to $516.25 in the month of June, compared to $506.53 in May 2016. This was revealed by a report from the International Energy Agency (IEA). Bonny light, the Nigerian benchmark crude, fell by 1.3% to $45.69 per barrel last week from the $46.18 per barrel the previous week. In contrast, precious metals prices gained momentum last week as the dollar fell amid expectations of a slower path to further U.S. rate increases. Gold rose by 0.5% to $1,211.83 an ounce, silver also gained 0.1% to $17.18 per ounce.

Stock Market
The Nigerian stock exchange market closed on a positive note last week as major market indicators tended upwards. The All Share Index (ASI) gained 802.49 points to close at 33,261.66 points on July 14, 2017 from 32,459.17 points the previous week, representing a 2.41% increase. Similarly, market capitalization gained 2.5% to close at N11.46 trillion from N11.19 trillion in the previous week. The bullish trend may be attributed to improving positive sentiment in the economy.

Money Market
Average cost of borrowing in the interbank market trended downwards last week. Short-term placements such as Open Buy Back (OBB) and Over Night (ON) rates fell to 9% and 9.75% respectively. Longer dated rates such as the 30-day and 90-day Naira Interbank Offered Rate (NIBOR) continued to reflect a downward trend in 22% as the previous week. Market liquidity was boosted by operations of the Central Bank of Nigeria (CBN) to support liquidity in the market and to prevent the naira remaining at current levels due to increasing investor participation.

Bond Market
Bond yields on the average rose across most maturity segments. This was largely due to sell-offs by participants in the market. Yields on the seven-, ten- and twenty-year debt papers rose to 16.55%, 15.99% and 16.44% from 16.49%, 15.55% and 16.02% respectively. The Access Bond Index declined by 0.83 points to close at 32,411 points from 32,224 points the previous week, while market capitalization in the Nigeria Interbank Treasury Bills True Yield Index segment fell to N2.3 billion to settle at N6.61 billion. This week, activities in the market might improve due to the redemption of the first tranche of the bond with maturity dating of April 2037.

Commodities Market
Oil prices dipped last week as a result of higher production by key Organization of Petroleum Exporting Countries (OPEC) exporters. Output from exempt members Libya and Nigeria is currently about 700,000 barrels per day (bpd) higher than at the time of OPEC agreement in November 2016. This was revealed by a report from the International Energy Agency (IEA). Bonny light, the Nigerian benchmark crude, fell by 1.3% to $45.69 per barrel last week from the $46.18 per barrel the previous week. In contrast, precious metals prices gained momentum last week as the dollar fell amid expectations of a slower path to further U.S. rate increases. Gold rose by 0.5% to $1,211.83 per ounce, silver also gained 0.1% to $17.18 per ounce. This week, oil prices might trend upwards on reports of increasing demand from China. For precious metals, a stronger greenback would likely weigh on prices.