Market Analysis and Outlook: June 30– July 07, 2017

Global Economy

With the United States, gross domestic product (GDP) for the first quarter of 2017 was revised up to 1.4% from 1.2%. The upward revision was an increase in consumer spending and exports. According to the Bureau of Economic Analysis (BEA), exports increased by 7%, higher than 5.8% in the previous estimate and imports rose by 4%, also higher than 3.8% in the previous estimate. Trade went up to 0.23% from 0.13%. Personal consumption expenditure rose by 1.1% from 0.6% in the previous month. Government spending and investment contracted by 0.9%. Elsewhere, in the Eurozone, consumer prices climbed 1.3% year-on-year in June 2017, slightly lower than the 1.4% recorded in May 2017. The slowdown in inflation rate was due to declines in the prices of energy. Figures from European Union Statistics Agency (Eurostat) revealed that the cost of energy rose at a slower 1.9% in May compared to 4.5% in May. The prices of food, alcohol and tobacco also declined. Core inflation rate by 1.1% from June 0.9% in May. In Asia, Japan’s unemployment rate climbed 3.1% in May 2017 from 2.1% in April 2017, the highest unemployment rate since December 2016. The number of unemployed persons rose to 2.01 million in May from 1.86 million in April.

Local Economy

The Manufacturing Purchasing Managers’ Index (PMI) stood at 52.9 index points in June 2017 from 52.5 points in May. This indicates an expansion in the manufacturing sector for the third consecutive month. This was shown in the latest PMI report by the Central Bank of Nigeria. A composite PMI above 50 suggests that the manufacturing sector is generally expanding, while a reading below 50 points indicates a contraction. Twelve of the sixteen sub-sectors recorded growth during the month. Non-metallic mineral products; cement; chemical & pharmaceutical products and printing & related support activities sub-sectors showed an unchanged growth at 16.0%. The Access Bank June Bond index showed a continuous rise in U.S. treasury yields may put pressure on prices. Continuous efforts of the Central Bank in boosting foreign currency liquidity.

Commodities Market

Gold prices increased last week after a decline in weekly U.S. crude production levels. In contrast, precious metals closed lower last week due to the rise in yields on U.S. treasury which damped demand for safe-haven assets. Gold and silver declined by 1% to $1,282.40 an ounce, from 1.2% to $1,243.70 an ounce, respectively. Last week, oil prices may further trend upwards due to the continuous efforts of the Central Bank in boosting foreign currency liquidity.

Bond Market

Bond yields on the average fell across all maturities last week. This was largely due to more buying activity in the market as a result of improved liquidity. Yields on the ten-year debt paper declined to 11.53% from 11.54% while the twenty-year debt paper remained unchanged at 16.01% from 1.2%.

Foreign Exchange Market

The naira depreciated at the interbank segment by 88k to a new rate of N305.903 from N305.856 the previous week. At the parallel market segment, the naira remained unchanged from the previous week’s rate of N305.856. The stability seen at the parallel market stemmed from the intervention of the apex bank in the FX market to narrow the gap between the interbank and the unofficial market rates. This week, the naira is likely to remain at current levels as a result of the continued efforts of the Central Bank in boosting foreign currency liquidity.

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