Global Economy
In the United States, the Federal Reserve left the target range for its federal funds rate unchanged at 0.75% to 1.00%, during its May 1 meeting. According to policymakers, the labor market has continued to strengthen despite a slowdown in economic activity during the first quarter. The Federal Open Market Committee (FOMC) in its statement revealed the labor market has continued to strengthen even as growth in economic activity slowed. Unemployment rate has declined and household spending rose albeit slightly. Also inflation measured year-on-year was close to the Committee’s 2%-longer term objective. In line with its mandate, the Committee sees to foster maximum employment and price stability. The Committee views the slow growth in the first quarter of 2017 as transitory. It anticipates economic growth will expand at a moderate pace. Elsewhere, in Europe, the United Kingdom gross domestic product (GDP) grew by 1.0% in the first quarter of 2017 from 1.9% growth in the fourth quarter of 2016. Data from the Office for National Statistics (ONS) showed. Total production further increased by 2.5% in March, driven mainly by manufacturing, while output growth at a slower pace in both services and construction. Services increased at a slower 2.5% pace. Increased growth in the previous quarter. In a separate development, Brazil recorded a trade surplus of $6.97 billion in April, a 45.4% increase from $4.86 billion recorded in April 2016. However, this was lower than the $17.12 billion surplus recorded in March. Brazil’s government data revealed that exports climbed 27.0% to $17.69 billion year-on-year, boosted by the sale of agricultural products such as iron ore, crude oil and sugar. The imports rose by 13.5%, year-on-year to $10.32 billion, mainly due to imports of intermediate goods and consumer goods. Sales to China rose by 46.8%, thereby accounting for nearly 94% of total exports.

Bond Market
Bond yields on the average rose across most maturities last week as weaker than anticipated tight liquidity in the system, stemming from securities stabilization debt of about N200 billion. Yields on 6-month, 3-month and twelve-month treasury papers respectively rose to 16.42%, 14.52% and 15.32% for the corresponding maturities in the previous week. The Access Bank Bond Index fell by 2.11 points to close at 2,280.15 points from 2,282.26 points the prior week. This week, due to treasury bills maturities of N189.6 billion, which will likely improve market liquidity and demand for fixed income assets, prices are expected to rise.

Commodities Market
Crude prices plummed to its lowest last week since Organization of Petroleum Exporting Countries (OPEC) signed a six-month deal in November, as US crude stocks fell their highest since August 2015. According to the Energy Information Administration (EIA), US crude production rose from 9.29 million barrels last week. Brent crude declined by 5.2% to $49.03 last week from $51.74 a barrel the previous week. However, Nigeria's benchmark crude, Bonny light, remained unchanged as the previous week at $46.91 a barrel. In a similar vein, precious metals prices fell as major government bond prices slipped, pushing longer-term interest rates higher, following the Federal Reserve’s announcement of no change in the interest rate. Gold fell $137.66, or 3.0%, to settle at $1,227.87 an ounce. Silver followed suit as it dropped 6.0%, or $0.51, to $7.31 an ounce. This week oil prices are likely to further trend southwards as a result of loss of confidence in the OPEC-led effort to curb production. For precious metals, prices are likely to rebound as the Federal Reserve sees its interest rate.

Market Analysis and Outlook: May 05 – May 12, 2017

Money Market
Average interbank cost of borrowing rose across most maturities last week as weaker than anticipated tight liquidity in the system, stemming from securities stabilization debt of about N200 billion. Yields on 6-month, 3-month and twelve-month treasury papers respectively rose to 16.42%, 14.52% and 15.32% for the corresponding maturities in the previous week. Longer tenored rates such as 30-day Nigeria Interbank Offer Rate (NIBOR) 14.92% in March 2017, to 18.47% from 17.70% while 90-day NIBOR fell to 20.75% from 20.95% the previous week. Market liquidity was drained as a result of surplus of about N200 billion for securities stabilization debt and deposit mobilization. This week, market liquidity may be boosted due to inflow from treasury bills maturity of N67.4 billion.

Foreign Exchange Market
The naira depreciated by 15kobo to a rate of N391/$, from the previous week’s level as weak foreign exchange inflows into the interbank market can be attributed to the increased effort in ensuring the greenback is made available to operators in the market. This week, naira is likely to remain prevailing around the interbank market as the access bank sustains its interventions in the market.

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MONTHLY MACRO ECONOMIC FORECASTS


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