Market Analysis and Outlook: November 17 - November 24, 2017

Global Economy

The GDP growth for the United Kingdom, consumer prices rose by 3% year-on-year in October, unchanged from September figure. It is however the highest inflation rate since March 2012, according to the Office for National Statistics. Prices of food, housing, utilities and recreation goods were the largest contributors to the increase in consumer prices. Elsewhere in Eurozone, inflation rate increased to 1.4% in year-on-year October. 2017, 0.1 point below the previous month. It is expected that oil prices will remain at a third quarter of the year, slowing down from a 0.6% rise in second quarter of 2017. According to the Cabinet Office, it is the seventh consecutive quarterly growth in GDP, 0.5%, which was attributed to exports.

Local Economy

The Consumer Price Index (CPI) which measures inflation rose by 15.91% year-on-year in the month of October 2017, 0.7% points lower than the 15.98% recorded in September. This represents the ninth consecutive months of decline in the rate of inflation since January 2017. The food index rose by 20.31% (year-on-year) in October, slightly lower than 20.32% recorded in September, thus indicating declining pressure in the prices of food items. The core sub-index, which excludes prices of farm produce rose by 12.14% year-on-year in October which is 0.2% lower than in the previous month. During the month, the highest increases were seen in prices of solid liquid fuels, as transport, vehicle spare parts, shoes & other footwear, carpets & other floor coverings, furniture, cleaning products, repair of furniture, maintenance & repair of personal transport equipment and other services related to personal transport equipment. In a separate development, the Central Bank of Nigeria in a recent circular reduced the settlement rates and the settlement banking banking banks. It extended the settlement banking due to all the clearing sessions, with effect from 1st January, 2018. Previously the settlement banks settle their net settlement obligations from the Central Securities Clearing System (CSCS), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques, Automated Clearing House (ACH), Cards, NIBSS (Nigeria Inter-Bank Settlement System) Instant Payment (NIP), Cheques

Bank Market

The fixed income space, yields declined across all maturities last week. Yields on the five-, seven-, and ten-year government bonds declined by 14.96%, 14.95%, 14.90% and 14.80% from 15.10%, 15.09%, 15.06% and 15.04% respectively. The decline in yields was driven by increased demand especially from the pension fund administrators (PFA). The Access Bank Bond index rose marginally by 15.42 points to close at 2474.82 points from 2474.40 points in the previous week. This week, all the sub-indices are expected to trend upwards due to planned bond auction by the Debt Management Office.

Commodity Market

Brent Oil – the Nigerian benchmark crude oil, slipped to $53.99 per barrel last week from $64.78 the previous week, losing 2.8% and 17.1%. Oil price witnessed a downturn as the International Energy Agency cut its oil demand forecast for this year and next, citing warmer weather and rising production outside Organisation of Petroleum Exporting Countries (OPEC). The price of precious metals were mixed for the second consecutive week. Gold prices declined by 0.05% or 65 cents to close at $1285.50 an ounce, in contrast silver rose by 0.5% or 5 cents to settle at $17.10 an ounce. The decline in gold prices was due to expectations of a Federal rate hike, while silver prices rose on positive global cues and pickup in demand from industrial units. This week, oil prices will likely encounter a turnaround as expectations of further oil production cuts by OPEC and other producers boost prices. This week, the prices of precious metals will be determined by the outcome of the Federal Reserve meeting expected to hold this week.

Money Market

Over Night (O/N) rates increased to 26.67% and 26.91% for the third consecutive week. Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates increased to 26.67% and 26.91% from 15.3% and 15.7% respectively last week. This was due to the Retail Secondary Market Intervention Sales that occurred on Friday. CBN action of selling dollars drained the system of naira liquidity consequently causing the rise in rates. In contrast, longer dated rates such as the Call, 30 and 90-day Nigerian Interbank Offered Rate (NIBOR) declined to 6.82%, 17.50% and 19.34% respectively from 8.82%, 20.75% and 28.79% respectively the previous week. This rates, are expected to trend upwards due to planned bond auction by the Debt Management Office.

FOREIGN EXCHANGE MARKET

The naira weakened slightly against the US dollar at the interbank and parallel markets by 12 kobo and N1 to new rates of N39.97 and N36.54 respectively. While at the central bank, the naira was unchanged at N35.95. The naira edged downwards due to an upsurge in dollar demand stemming from unmet allocation at the Retail SMS window. This week, the naira will likely remain around current levels as CBN sustains its intervention to keep the market adequately funded.