In the US, the US Federal Reserve (Fed) released minutes covering their November meeting. The minutes confirmed that “almost all” members of the committee found it appropriate to again lift the target range for the federal funds rate “fairly soon”. However, the minutes noted that the timing of this hike was more uncertain and would be highly data dependent. The data dependency was also emphasised in a speech by the Fed chair last week. Furthermore, the Fed chair hinted at the possible timing of higher rates and hinted that the policy interest rate is just below “a level that would be neutral for the economy”. In a separate development, China’s official manufacturing Purchasing Managers’ index (PMI) declined for the third consecutive month to 50.0 in November from 50.2 in October, just shy of contractionary territory. Demand remained weak, with the new orders sub-index falling to 50.4 in November from 50.8 in October. Meanwhile, the new export orders sub-index remained deep in contractionary territory with a slight uptick to 47.0 in November compared to 46.9 last month. Elsewhere, the Japanese economy contracted by 1.2% quarter-on-quarter in Q3 2018. This is down from the 3.0% q-o-q growth recorded in Q2 2018. Natural disasters (including flooding in July and the September earthquake) weighed on private consumption and exports during the quarter, taking much of the blame for the poor GDP performance.

Batteries expressed more optimism on Nigeria’s macro economy in November 2018 compared with the level previously recorded in the preceding month (October), according to the Bank of Nigeria (CBN) monthly Business Expectations Survey (BES) report for November 2018 released last week. The report, which was posted on the apex bank’s website stated: “at 25.9 index points, respondents’ overall confidence index (OCI) on this current macro economy in November 2018 was more optimistic compared to its level of 23.2 index points recorded in October 2018.” The businesses outlook for December 2018 showed more confidence on the macro economy at 56.5 index points. The respondent firms were made up of small, medium and large organisations covering both import- and export-oriented businesses. The positive outlook by businesses in November 2018, according to the report, was driven by the opinion of respondents from the following sectors: services (14.9 points), industrial (7.8 points), wholesale/retail trade (6.2 points) and construction (0.3 points). Construction sectors, whereas the drivers of the optimism for next month were services (13.0 points), industrial (19.2 points), wholesale/retail trade (6.6 points) and construction (1.0 point). The latter is an indication of optimism in the non-farm sector, which has been slightly drained out of the market. The tight liquidity in the money market was driven largely by a net outflow of about $1.14 billion. Longer-tenured interbank rates, such as the 90-day NIBOR, increased to 14.79% from 13.94% the prior week, while the 90-day NIBOR closed at 14.97% from 14.21% the preceding week. This week, we envisage the naira remaining close to prevailing levels as the CBN continues to intervene to supply liquidity.

Bond Market
Bond yields rose on the average last week. Yields on the five-, seven- and ten-year debt papers respectively increased to 15.40%, 15.56% and 15.54% at the close of last week, from 15.27%, 15.46% and 15.48% for the respective maturities the previous week. The Access Bank Bond index rose by 1.89 points to close at 2,675.75 points from 2,673.86 points the previous week. The rise in yields was in line with dealer expectations. This week, we anticipate that yields will moderate as dealers look to cover some of their short positions.

Commodities
Prices rose last week over the US and China agreed to a 90-day truce in their escalating trade dispute. Oil also received support from an announcement by the Canadian province of Alberta that it would force producers to cut output by 8.7%, or 325,000 barrels per day (bpd), to deal with a pipeline bottleneck that has led to crude building up in storage. Against this backdrop, the OPEC daily basket price rose 70 cents to settle at $54.79. In a similar vein, silver prices also slightly drifted out of the market. The tight liquidity in the money market was driven largely by a net outflow of about $1.14 billion. Longer-tenured interbank rates, such as the 90-day NIBOR, increased to 14.79% from 13.94% the prior week, while the 90-day NIBOR closed at 14.97% from 14.21% the preceding week. This week, we envisage the naira remaining close to prevailing levels as the CBN continues to intervene to supply liquidity.

Access Bank Rateswatch

Global Economy

Market Analysis and Outlook: December 7 - December 14, 2018

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