Market Analysis and Outlook: July 13 - July 20, 2018

Global Economy
In China, data from the General Administration of Customs showed that exports increased 11.3% year-on-year in June, slower than the 12.6% rise seen in May. At the same time, annual growth in imports slowed to 14.1%, well below the 20% increase in May. Consequently, the overall trade surplus surged to $41.9 billion in May. The data comes as China and the US are embroiled in a bitter trade dispute. In India, manufacturing sector activity in June grew at the strongest pace in over a year, supported by rise in domestic and export orders, according to a monthly survey. The Nikkei India Manufacturing Purchasing Managers Index (PMI) rose to 51.1 in June from 51.2 in May, registering the fastest expansion in over a year since December 2017. This is the 11th consecutive month that the manufacturing private sector activity rose. In Brazil, the consumer price index rose 4.99% in June year-on-year, gaining strength from the previous month. However, the index increased 2.66%, according to the National Institute of Statistics and Geography. This marked the fastest annual inflation rate since March 2017, when the consumer price index rose 4.57%. The strong increase was largely due to a truckers' drivers' strike, which led to shortages of food and fuel and consequently to price increases in the beginning of June.

Local Economy
The Central Bank of Nigeria (CBN) revealed in its monthly business expectation survey report that the confidence index on the macro economy for the month of June 2018 stood at 47.4 index points. This is an improvement over the previous month (45.5 index points). The confidence index has steadily risen over the past five months (Feb: 14.5, Mar: 24.5, Apr: 28.9, May: 28.9). The optimism related to the macro economy was driven by the opinion of respondents from the services, industrial, construction and the wholesale/retail trade sectors. The surveyed firms identified insufficient credit supply, high interest rates unfavourable economic climate, financial problems, unclear economic laws, insufficient demand and unfavourable political climate as the major factors constraining business activity in the current months. In a separate development, the access bank has disclosed that the 2020 targets set out in the National Financial Inclusion Strategy (NFIS) of 2012 are unlikely to be met. It was contained in an “Exposure Draft of the National Financial Inclusion Strategy Refresher,” that was posted on its website. The original NFIS document outlined two financial inclusion targets for the year 2020, namely: an overall financial inclusion rate of 80% of the adult population and a formal financial inclusion rate of 70% of the adult population. The NFIS remained about the 10.0% 2019 – financial inclusion rate of 70% of the adult population was forecasted to be achieved with six percent confidence margins. Financial services. In addition, Nigeria still lags 15 targets for channels and products as well as 22 key performance indicators (KPIs) related to these targets.

Stock Market
The market made a downward trend on the floor of the Nigerian Stock Exchange (NSE) in the week ended July 13, 2018 as most stock prices depreciated, causing the market volume and value traded to plummet by 35.40% and 3.30% respectively to 21.6 million trades and N1.6 billion in that order when compared to the previous week. The bearish performance was due to a lack of market sentiments. Market breadth also came out negative as declines (26) outweighed advancing (17) in the market. Similarly, the All Share Index (ASI) fell by 0.26% or 232.82 points to 77,322.07 on July 13, 59.5 points the previous week. Likewise, market capitalization declined by 0.62% or N15.53 trillion on N15.53 trillion the preceding week.

Monetary Policy Rates
Rates moderated slightly across all tenors in the week ended July 13, 2018 on the back of buoyant money market liquidity. Liquidity was buoyant in the parallel market with the market from an inflow of about N31 billion in Open Market Operations (OMOs). For the week, Open Buy Back (OBB) and the Overnight (ON) rates were stable at N13.15 and 13.15% from 13.15% and 13.15% respectively the previous week. The week’s downturn was subject to losses in the stocks of companies in the consumer goods and industrial goods sectors. This week, market sentiments may improve in anticipation for the expected 2018/2019 financial statements.

Foreign Exchange Market
Foreign exchange rates settled in varying directions in the preceding week. The interbank window depreciated to N24.26/$ from N24.16/$ representing a depreciation of 0.41%. However, the parallel market rate remained stable at N 615.16. The official rate retracted by 10kobo to N145.00/$ but narrower than the previous week. This week, the naira is expected to remain around prevailing levels, driven by exporters selling dollars to meet their foreign exchange obligations except for parallel market.

Bonds Market
A new bond yields trended northwards on the short to medium end of the curve even as they trended southwards on the long end of the curve. Buying was majorly seen at the long end of the curve. Yields on the five-, ten-, and twenty-year debt papers fluctuated at 13.60%, 13.94% and 13.85% from 13.60%, 13.94% and 13.85% respectively the previous week. The Canadian government bond yield was 1.6% lower at 1.51% in the same period.

Commodities
Crude oil prices nudged higher by ongoing concerns about supply disruptions, among OPEC member Venezuela and a strike by two Norwegian oil workers’ trade unions that disrupted production at Shell’s Kraven field. Bonny light, Nigeria’s crude oil benchmark, gained 30 cents a barrel to settle at $77.02. In contrast, precious metal prices slipped as the dollar firmed against the yen. Gold fell 1.08% at $1,241.34 an ounce, while silver was 1.6% lower at $15.81 an ounce. Crude oil prices were boosted by escalating trade tensions between the world’s two largest economies. Gold fell 1.08% at $1,241.34 an ounce, while silver was 1.6% lower at $15.81 an ounce. Crude oil prices were boosted by escalating trade tensions between the world’s two largest economies.

Inflation
The National Bureau of Statistics (NBS) reported that the headline inflation rate remained unchanged at 12.2% in June from 12.2% in May, registering the fastest annual inflation rate since March 2017, when the consumer price index rose 4.57%. The strong increase was largely due to a truckers’ drivers’ strike, which led to shortages of food and fuel and consequently to price increases in the beginning of June.

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