Market Analysis and Outlook: June 14 – June 22, 2018

Global Economy
In the U.S. the Federal Reserve (Fed) raised interest rates to 1.75% - 2.0% range in the meeting held on June 12 and 13, 2018. This increase is due to continued strength in labour market, stronger economic activity, increased job creation and declining unemployment rate, inflation rate to 1.7% from 1.6% in the previous month. Inflation hike was due to higher food and energy prices. The inflation rate was 2.8% from 2.7% at the previous meeting. Elsewhere in the U.K., consumer prices remained stable in May 2018 at 2.4%. Inflation rate excluding the private, non-energy, food, alcohol and tobacco also declined. Flat at 2.1% May inflation rate and consumer prices climbed by 0.4% according to the Office for National Statistics (ONS). In another development, China’s inflation rate stood at 1.8% in May 2018, unchanged from the previous month’s rate as reported by China’s statistics agency. The year-on-year rate being the lowest since January 2018 was driven by low growth in food prices which stood at 0.1% from 0.7% in the previous period. Non-food inflation rose to 2.2% from May 2.1% in April.

Local Economy
The Consumer Price Index (CPI) which measured inflation in Nigeria rose by 11.61% in the year-on-year in the month of May 2018, which is 0.87% points less than the 12.46% recorded in the previous month. This represented the sixteenth consecutive month of decline in the rate of inflation since January 2017. The food index rose by 13.45% (year-on-year), slightly lower than 14.80% recorded in the previous month, thus indicating a sustenance decline in the price of food prices. The highest increases were recorded in prices of households services, non-food non-energy, food non-energy, food energy, food and non-food manufactures, all except food. From the previous month’s index stood at 10.7%, 10.3% and 12.80% from 12.33%, 10.9% to 11.0% in April. During the month, the highest increases were recorded in prices of household services, non-food non-energy, food non-energy, food energy, food and non-food manufactures, all except food. From the previous month’s index stood at 10.7%, 10.3% and 12.80% from 12.33%, 10.9% to 11.0% in April.

Commodities
Crude Oil Price
Oil prices fell last week, pulled down by rising supplies in the United States. American Petroleum Institute (API) revealed that crude oil inventories in the U.S. rose by 830,000 barrels to 433.7 million last week. Crude oil price in Nigeria’s benchmark crude, ended at $75.24 per barrel, down $2.65, or 3.4% from the previous week. In a similar vain, precious metals prices turned lower after the U.S. Federal Reserve announced it was raising interest rates. Interest rate hikes push up bond yields, making non-yielding precious metals less attractive as a hedge. The local currency posted differing directional performances in various segments of the foreign exchange market last week. The interbank window slightly depreciated to N524.71/$ from N524.85/$ representing a fall of 38,928.02 from 38,669.23 points the previous week ended June 14, 2018. The bullish performance was due to demand for wind power which stood at 0.1% from 0.7% in the previous period. Non-food inflation rose to 2.2% from May 2.1% in April.

Stock Market
Trading at the local bourse advanced in the week ended June 14, 2018. The bullish performance was due to demand for wind power which stood at 0.1% from 0.7% in the previous period. Non-food inflation rose to 2.2% from May 2.1% in April.

Money Market
Cost of borrowing at the money market recorded mixed movements last week. On one hand Open Buy Back (OBB) and the Over Night (O/N) rates fell to 3.67% and 4.25% from 4.83% and 5.33% respectively the previous week due to Open Market Operation (OMO) maturity of N524.71/$ from N524.85/$ representing a fall of 38,928.02 from 38,669.23 points the previous week ended June 14, 2018. The bullish performance was due to demand for wind power which stood at 0.1% from 0.7% in the previous period. Non-food inflation rose to 2.2% from May 2.1% in April.

Foreign Exchange Market
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