Market Analysis and Outlook: March 29 - April 06, 2018

Global Economy
In the U.S., the economy expanded by a revised 2.9% year-on-year in Q4'17 from the previous estimate of 2.7%. The report from the Bureau of Economic Analysis (BEA) revealed that consumer spending, business investment and housing sector contributed to the upward revision.

Money Market
Money market rates trended downwards in the week ended March 29, 2018 due to inflows from Federal Accounts Allocation Committee (FAAC) and retail Secondary Market Intervention Sales refund (SMIS) of about N8.10 billion. Short-dated placements such as Build Buy Back (BOB) and Over Night (ON) rates declined to 7.25% and 6.00% from 7.00% and 6.10% respectively the previous week. Longer dated placements however, trended higher as the 91-day advanced higher at 15.05% and 16.02% from 14.75% and 15.50% respectively the week before. This week, rates may trend higher as there are no expected inflows.

Foreign Exchange Market
The naira depreciated marginally at the interbank market by 2kobo to close at N35.42/4 from N35.40/4 the previous week. The local currency however appreciated slightly at the official market to N30.65/6 from N30.705/1 the previous week. At the parallel market, the local currency remained unchanged from the previous week at N32/32. The sustained stability in the foreign exchange market stems from Central Bank of Nigeria’s (CBN) action of providing foreign currency to market participants. This week, we envisage the naira will remain around current levels.

Bond Market
Bond yields trended upwards last week due to weak demand. Yields on the five-, ten-, and twenty-year debt papers settled at 11.78%, 13.02%, 13.69% and 13.63% from 13.61%, 13.59%, 13.56% and 13.49% respectively the previous week. The Access Bank Bond index fabelly by 7.42 points or 0.28% to close at 2,615.33 points from 2,622.76 points the previous week. This week, yields may further trend upwards due to tight liquidity.

Commodities Market
Last week prices moderated on increasing U.S. crude inventories. The Energy Information Administration (EIA) data that commercial U.S. stocks rose by 1.6 million barrels to 429.55 million barrels, while output rose to 10.42 million barrels per day by 700,000. The Organization of Petroleum Exporting Countries (OPEC) reference crude fell by 0.21% to $66.05 per barrel from $66.19 per barrel the previous week. Nigeria’s benchmark crude, Bonny light, however remained pressured. This week, the naira will remain around current levels.

Stock Market
Trading activities at the local bourse closed the last day of the first quarter on a slightly positive note compared to the previous week. The positive performance was due to bargain hunting and investors taking advantage of low stock valuations. The All Share Index (ASI) posted marginal gains of 0.1% or 32.41 points to close at 41,472.10 points the previous week. Similarly, market capitalization rose by 0.1% to close at N149.94 trillion from N149.93 trillion the previous week. The previous week’s Market indices was pulled up by stocks in the consumer goods, industrial and oil & gas sectors. This week market sentiment may improve as investors awaits more earnings report and also take advantage of stocks with low valuations.