Access Bank Rateswatch

Market Analysis and Outlook: May 11 - 18, 2018

Global Economy

In the US, the non-farm payrolls registered 164,000 in April, up from an upwardly revised 135,000 in March, a report by the Bureau of Labor Statistics showed. The gain in payrolls reduced the unemployment rate by 0.2 percentage points to 3.9% in April, after it had remained unchanged at 4.1% for six months. This is the lowest unemployment rate since 2000. In Iran, the Central Manufacturing Purchasing Managers Index (PMI) rose by 0.1 index points to 53.1 in April, an indication of sustained growth momentum. While the output sub index rose modestly on a monthly basis, new export orders declined for the first time in seven months. Open Buy Back (OBB) and Overnight (O/N) rates significantly accelerated last week as a result of expected OMO auction. The Naira-dollar exchange rate at all market segments depreciated last week. At the official window, it lost 5 kobo to settle at N300.70 from N300.75 the previous week. Interbank rate pared 20 kobo to close at N338.91/N338.71, while the parallel market rate lost N1, closing at N338.91/$. The depreciation recorded at the parallel market may have resulted from high demand occasioned by tight dollar liquidity following some exit from the bond market by offshore investors due to fall in yields. Multinational companies and some local companies contributed to the naira weakness. This week, the naira may like to buy in previous week. This week, from more FX outflows relating to buy sales in the fixed income space.

Bond Market

Bond yields ticked higher for the third consecutive week due to large sell-offs across all market segments from counterparties. Sales were driven by investor’s appetite for higher rates in OMO instruments and tight liquidity. Yields on the five-, ten-year and thirty-year dated placements increased 1.22%, 1.17% and 0.88% year-on-year respectively. Yields on the five-, ten-year and thirty-year dated placements increased by 11.89%, 10.79% and 9.12% year-on-year respectively. There was a 135,000 job gains in March, an indication of sustained growth momentum. While the output sub index rose modestly on a monthly basis, new export orders declined for the first time in seven months. Open Buy Back (OBB) and Overnight (O/N) rates significantly accelerated last week as a result of expected OMO auction. The Naira-dollar exchange rate at all market segments depreciated last week. At the official window, it lost 5 kobo to settle at N300.70 from N300.75 the previous week. Interbank rate pared 20 kobo to close at N338.91/N338.71, while the parallel market rate lost N1, closing at N338.91/$. The depreciation recorded at the parallel market may have resulted from high demand occasioned by tight dollar liquidity following some exit from the bond market by offshore investors due to fall in yields. Multinational companies and some local companies contributed to the naira weakness. This week, the naira may like to buy in previous week. This week, from more FX outflows relating to buy sales in the fixed income space.

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