Global Economy

In the US, retail sales rose by 0.3% in April after climbing by an upwardly revised 0.8% in March, according to a report released by the Commerce Department. The slowdown in sales growth came as sales by motor vehicle and parts dealers inched up by just 0.1% in April after sinking by 2.1% in March. US retail sales data is closely watched given that consumer spending makes up more than two-thirds of the total activity. In a separate development, China’s trade surplus rose to $38.8 billion in April. A deficit in March of $1.5 billion, a report from the General Administration of Customs revealed. Data from the report showed exports from China rose 21.3% year-on-year in April while imports rose 12.9%. Analysts observed active anticipation of tariffs, and other actions, like the closer inspection of US soybeans and the beginning of efforts to curtail waste imports, may be responsible for the improvement in China’s trade balance. Elsewhere in the European Union, the inflation rate was recorded at 1.2% year-on-year in April 2018, slightly down from 1.5% in the previous month. Annual core inflation which excludes volatile prices of energy, food, alcohol and tobacco was 0.7%, 0.3% below the figure stated in March according to the European Union Statistics Agency. Prices of coffee, tobacco and alcoholic drinks increased faster while the price of services edged lower.

Commodities Market

The local currency weakened across most major commodity markets segment monitored last week. At the interbank window the naira lost 0.5% to close at N359.91/$ compared to N359.36/$. The official rate also fell to 7.83% from 8.10% while the parallel rate slacked to 7.80% compared to N359.75/$ the previous week. This week, we expect to see more pressure on the naira to move lower on the back of expected imports from federation allocation to the three tiers of government. At the foreign exchange market, the naira weakened by 0.7% on the back of a $1 billion intervention by the Central Bank of Nigeria in the Euromarket. The naira closed at N305.85/$ last week relative to N305.75/$ the week before. The movement witnessed in these foreign portfolio markets may be attributed to a deliberate strategy by the monetary authorities to ensure the naira is prevailing at the investor and exporters window. At the parallel market, the naira weakened by 0.7% to close at N339.91/$ this week. We envisage the naira will oscillate around current levels.

Bond Market

Bond yields on the average rose most maturities last week. This was largely due to sell-offs by foreign investors as the spread between US and Nigerian securities tightened, causing increased foreign portfolio reversions in the markets. Yields on the five-, seven-, and 10-year debt paper climbed to 13.64%, 12.54% and 13.16% from 13.18%, 12.60% and 13.05% respectively for the prevailing week. This was attributed to Above the normal capital stock in the market. At the foreign exchange market, the naira weakened across most major commodity markets segment monitored last week. At the interbank window the naira lost 0.5% to close at N359.91/$ compared to N359.36/$. The official rate also fell to 7.83% from 8.10% while the parallel rate slacked to 7.80% compared to N359.75/$ the previous week. This week, we expect to see more pressure on the naira to move lower on the back of expected imports from federation allocation to the three tiers of government. At the foreign exchange market, the naira weakened by 0.7% on the back of a $1 billion intervention by the Central Bank of Nigeria in the Euromarket. The naira closed at N305.85/$ last week relative to N305.75/$ the week before. The movement witnessed in these foreign portfolio markets may be attributed to a deliberate strategy by the monetary authorities to ensure the naira is prevailing at the investor and exporters window. At the parallel market, the naira weakened by 0.7% to close at N339.91/$ this week. We envisage the naira will oscillate around current levels.

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