Global

In the US, the annual inflation rate dropped to 2.7% in August 2018, compared to 3.9% reported the previous month. According to the Bureau of Labour Statistics, the lowest inflation rate in 4 months was driven by lower prices in the cost of fuel, gasoline and shelter. Month-on-month consumer prices went up by 0.2%, same as last month figure. In a separate development, the Bank of England left its base rate of interest from 0.5% to 0.75% last month. The committee also voted to maintain its view of stock of non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion and the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion. The decision came on the premise that the economy will grow in line with stated precedent and therefore the level of the monetary rate is appropriate and any future increase will come at a gradual and limited pace. Elsewhere in Japan, the cabinet office reported that the economy expanded by 0.7% quarter-on-quarter in June. This is a leap from the contraction of 0.2% the economy faced in the previous quarter. It is the highest growth rate since the fourth quarter of 2017, majorly on the back of upward revision of business spending and a strong impulse from private consumption. Year-on-year, the economy advanced by 3% after a 0.9% contraction in the first quarter of 2018. 

Domestic

Recently released data by the National Bureau of Statistics, showed Nigeria’s Inflation rate increased for the first time in eighteen months. The Consumer Price Index which measures inflation increased by 11.23% year-on-year in August 2018, reflecting a 0.09% increase on the 11.14% rate recorded in July 2018. Food inflation notched higher by 0.31% to 13.16% y-y compared to 12.88% y-y in July. This rise in the food index was caused by increases in prices of Bread and cereals, Potatoes, yam and other tubers, Meat, Vegetables, Fruits, Fishes and Oils and Fat. In contrast, core inflation declined to 10% year-on-year in August 2018, from the rate recorded in July at 10.2%. In a separate development, the Central Bank of Nigeria’s (CBN) Business Expectations Survey report for the month of August showed an increase in the respondents’ overall confidence index (CCI) on the macroeconomy. According to the report the CCI climbed to 21.5 points relative to 13.6 points in July, buoyed by improvements in volume of total order, business activity, and financial conditions. The businesses outlook for September 2018 also showed a greater confidence on the macroeconomy at 61.6 index points compared to 58.7 points previously.

Stock Market

The equities market slumped to a 15-month low last week as negative sentiment persisted. The All Share Index (ASI) - the main index that tracks stock prices on the Nigerian Stock Exchange (NSE) dropped by 1789.31 points, representing a loss of 5.26% to close at 34,037.91 points. Aggregate market capitalisation of quoted equities also declined by N260 billion to close at N6.17 trillion. Performance gauges in the market were largely weighed down by significant sell-offs by foreign investors in search of higher risk-adjusted returns and weak macro environment evidenced by slower GDP growth in Q2 and rising inflation. This week, the bourse is likely to remain pressured in the absence of positive market triggers.

Money Market

Money market rates trended upwards for the first time in four weeks due to consistent mop up by the CBN through Open Market Operations (OMO) auction and Primary Market Auction. Short-dated placements such as Open Buy Back (OBB) and Over Night (ON) rates climbed to 10.67% and 12% from 3.44% and 11.76% the prior week. This week, rates may trend lower due to expected OMO maturities of N407 billion.

Foreign Exchange Market

The naira depreciated against the dollar at the interbank andofficial market by N9 and Skodobrespectively in the week ended September 14, 2018 to settle at N358.40/$ and N306.25/$ from N358.40/$ and N306.20/$, in that order in the previous week. However, the local currency remained unchanged at the parallel market exchange rate at N364/$. Stability of the local currency continues to be supported by the apex bank’s foreign currency liquidity injection into the market. This week, we envisage the naira remaining at prevailing levels on consistent CBN interventions.

Bond Market

Average bond yields trended downwards for the third consecutive week. The trend witnessed was due to deliberate increase of treasury bill rates by the CBN which was mirrored by bond yields. Yields on the five-, seven-, ten- and twenty-year debt papers settled at 15.24%, 15.23%, 15.19% and 15.45% from 15.07%, 15.01% and 15.25% from 3.44%, 11.76% and 12.58% the prior week. This week, the CBN may reduce the offer rate to corresponding to the 15-day Treasury bill auction to support lower market yields.

Commodity

Oil prices fell last week as an industry report showed global supplies at a record and Hurricane Florence weakened ahead of its expected landfall on the US East Coast. Accordingly, Bonny light, Nigeria’s crude oil benchmark, slipped $1.32, or 1.7%, to settle at $76.44 per barrel. In contrast, precious metals prices fell following reports of a potential new extradition by the United States to Mexico. The US government moved to press charges against Mexican drug lord Joaquin El Chapo. As a result, gold prices gained 0.41% to close at $1206.10 per ounce, which put pressure on the US dollar. Gold gained 0.41% to close at $1206.10 per ounce, which put pressure on the US dollar. Gold climbed following reports of a potential new extradition by the United States. This week, the precious metal may trend higher due to potential for US sanctions on the country’s oil industry take effect. For precious metals, prices may inch higher as hopes of a swift Brexit deal boosts the sterling and the euro against the dollar.