Global

In the US, the Federal Open Market Committee of the Federal Reserve hiked interest rate at its last 2-day meeting concluded on 26th September 2018. The target range for the federal funds rate was raised by 25 basis point (bps) to 2% - 2.25%. The decision came on the back of stronger macroeconomic indicators, notably; household spending and business fixed investment and inflation remaining near the targeted 2% benchmark. The policy maker hinted at another hike this year, 3 in increases in 2019 and 1 increase in 2020 with no previous expectation. Elsewhere in the United Kingdom, the gross domestic product (GDP) increased by 0.3% in the third quarter of 2018, in line with the Office for National Statistics (ONS) earlier estimate, an initial estimate of 1.3%. The Office for National Statistics (ONS) reported that growth was driven by household consumption and net external demand while business investment shrank. In a separate development, Japan's unemployment rate declined to 2.4% in August from 2.5% the prior month. Jobs-to-applicants ratio remained unchanged at 1.63, same as last month. There were 2.67 million unemployed persons in August, fifty thousand less than in July, employment also increased by 260 thousand to 66.42 million. The labour force rose by 220 thousand to 68.29 million while those detached from the labour force went down 240 thousand to 42.59 million as reported by the official statistic of Japan.

Market Analysis and Outlook: September 28 - October 5, 2018

In the US, the Federal Open Market Committee (FOMC) meeting on September 25. The apex bank decided to maintain the Monetary Policy Rate (MPR) at 14%, while the MPC also retained the cash reserve requirement (CRR) ratio at 22.5%, the liquidity ratio at 10%, and the asymmetric corridor around the MPR at ±200 basis points. The MPC highlighted that, as identified at the July meeting, a certain level of macroeconomic stability has been achieved. Nonetheless, the MPC called on the government to fast track the implementation of the 2018 budget to help jumpstart the process of sustainable economic recovery. In another development, Standard and Poor's (S&P) Global Ratings has affirmed its 'B/B' long- and short-term sovereign credit rating on Nigeria with a stable outlook. According to the agency, the country's credit rating remains supported by relatively low government debt levels. It noted that the liberalisation of the exchange rate framework, improved FX liquidity conditions and "moderate exchange rate flexibility" have also served to ease credit rating pressures over the past year. The ranking body also sees some downside risks to growth against the backdrop of weak economic fundamentals, institutional capacity and slow GDP growth relative to peers.

Cost of borrowing rose at the money market due to the high level of demand for liquidity by banks to support their operations. The expected monetary policy rate adjustment by the Central Bank of Nigeria (CBN) to lower the monetary policy rate by 100 basis points to 13% as predicted by analysts did not materialize amidst concerns of external pressures easing off further with the US Federal Reserve expected to hike interest rates for the third time this year. Nonetheless, the MPC called on the apex bank to fast track the implementation of the 2018 budget to help jumpstart the process of sustainable economic recovery. In another development, Standard and Poor's (S&P) Global Ratings has affirmed its 'B/B' long- and short-term sovereign credit rating on Nigeria with a stable outlook. According to the agency, the country's credit rating remains supported by relatively low government debt levels. It noted that the liberalisation of the exchange rate framework, improved FX liquidity conditions and "moderate exchange rate flexibility" have also served to ease credit rating pressures over the past year. The ranking body also sees some downside risks to growth against the backdrop of weak economic fundamentals, institutional capacity and slow GDP growth relative to peers.

Stock Market

The local bourse remained bullish for the second consecutive week as bargain hunters took advantage of attractive valuations to purchase bellwether stocks. At the close of trading last week, the All Share Index, ASI, appreciated by 0.7% to 32766.37 points from 32540.17 points a week prior. Similarly, Market Capitalization by 0.9% to N11.96 trillion from N11.88 trillion the previous week. This week we expect that market might be volatile as investors take position ahead of Q3 earnings scorescards releases.

Money Market

Cost of borrowing rose at the money market across most tenor bucket last week. This was largely due increased demands caused by the oversubscription during the bond auction. Some of the unfilled demand at the auction filtered into the bond market, resulting in decline in yields. Yields on the five-, seven-, and twenty-year debt papers dropped to 14.62%, 14.97% and 15.13% from 14.75%, 15.16% and 15.38% respectively for the corresponding maturities the previous week. The Access Bank Bond index increased by 16.16 points to close at 263.65 points from 251.89 points the prior week. This week, we expect yields to move upwards as the markets settles on the aftermath of the oversubscription from the bond auction.

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