In the US, the Purchasing Managers Index (PMI) came in at 56.9 in December 2018, a decline from 55.3 reported the previous month. ISM Market which measures this index reported that it is the second largest expansion in the manufacturing sector since September 2017. This came on the back of lower steel prices and increased orders, which are a key input into manufacturing. The index remained below 50, indicating a drop in business confidence among manufacturing firms in December. The level of optimism was strong, but well below the long-run series average. Positive sentiment was sufficient to continue the expansionary bias. This will undergo new business growth. In a separate development, the Ministry of Development, Industry and Foreign Trade reported that Brazil’s trade surplus expanded to $6.64 billion in December 2018 from $5 billion in December 2017. It is the largest trade surplus since June 2017. Exports jumped to 11.1% from a year ago to $19.56 billion in December, while imports advanced at a softer pace of 2.5% to $12.92 billion. Among major trading partners, exports rose to China (46.5%), ASEAN countries (43.5%), the EU (18.2%) and the US (16.2%), but fell to Russia (55.2%). Imports, on the other hand, advanced at a slightly faster pace of 3.4% to $12.92 billion. The outcome will take effect from 2nd of January 2019. Failure to comply, it said, will attract sanctions on the erring countries. In a separate development, the Manufacturing Purchasing Managers’ Index (PMI) stood at 51.6 in December 2018, the latest PMI released by the Central Bank of Nigeria (CBN) showed. This indicates an expansion in the manufacturing sector for the twenty-first consecutive month. The index grew at a slightly faster pace compared to the previous month (50.7 points). Thirteen of the fourteen sub-sectors surveyed reported growth during the month. However, the Primary metal subsector declined in the month under review. Elsewhere, recently published data by the National Bureau of Statistics (NBS), revealed that the Federation Account Allocations Committee (FAAC) disbursed the sum of N78.14 billion among Federal, State and Local Governments in November 2018 from the revenue generated in October 2018. The amount disbursed was from the statutory account, value added tax (VAT) and exchange gain realized, which amounted to N68.12 billion, N10.15 billion and N6.98 billion, respectively. In September 2018, the amount disbursed among the three tiers, revealed that the Federal Government received N29.19 billion, states received N134.92 billion and the local governments received N146.69 billion. The oil revenue statements released for September 2018 showed 13% derivation fund and N70 billion was transferred to Excess Crude Account (ECA). Revenue generating agencies such as Nigerian Customs Service (NCS), Federal Inland Revenue Service (FIRS) and Department of Petroleum Resources (DPR) received N4.39 billion, N7.39 billion and N5.82 billion respectively as cost of revenue collections.

Market Analysis and Outlook: January 4th – January 11th, 2019

In the fist week of the New Year. Market capitalization increased by N90 billion to end the week at N1.43 trillion as investors took position in bellwether counters. This week, we expect market volatility to continue as investors and fund managers rebalance their portfolios, while watching the political space and away full of year company earnings position and post-election market dynamics.

Money Market

Money market rates ticked up across all placement tenors following retail Seasonal Financing Scheme (SFS) auction conducted by the Central Bank of Nigeria (CBN). Short-dated placements such as Open Buy back (OBB) and Over Night (ON) rates rose to 20% and 25.75% from 17.17% and 18.42% respectively the previous week. All-dated placements such as 30 Days, 90 Days and 120 Days saw rates increase to 21.84%, 31.84% and 33.84% respectively from 17.17%, 18.42% and 20.42% respectively previously week. This week, we expect rates to taper on the back of Open Market Operation (OMO) maturity of N376 billion inhibiting the market.

Foreign Exchange Market

Last week, the local unit strengthened slightly against the green back in most segments supported by intervention of the Central Bank of Nigeria (CBN). At the Official market, the naira appreciated by 0.02% to close at N306.95/$. Also, the naira strengthened at the parallel market segment by 0.82% to close N561 to a dollar last week from N564 the week earlier. This week, we expect the naira to continue trading within current rates in all markets as the CBN continues to supply FX.

Bond Market

Bond yields nosedived across most maturities owing to sell-off on the MAR 2024 and FEB 2026 maturities. Specifically, yields on the 5-, 10- and 20-year bonds finished at 15.40%, 15.32% and 15.49% respectively from 15.32%, 15.19% and 15.54% in that order the previous week. Access Bank bond index fell by 12.37 points to close at 704.51 points from 716.88 points in the previous week. This week, we expect rates to taper on the back of government capitulation as the CBN continues to supply FX.

Commodities Market

Oil prices dipped last week on concerns that an economic slowdown in 2019 will cut into fuel demand just as crude supplies are surging. U.S. crude production stood at a record 11.7 million barrels per day (bpd) in late 2018, making America the world’s biggest oil producer. The Organisation of Petroleum Exporting Countries (OPEC) basket price, last 97 cents to close at $52.35 a barrel, a 2% loss from the previous week. In contrast, precious metals continued their upward trajectory as prices increased for the third consecutive week. Warrants associating global economic slowdown and volatility in equities boosted safe-haven buying. Gold ended the week at $1,291.10 per ounce last week, while silver prices closed 36 cents, or 2.3%, higher at $17.91 per ounce. This week, a 90-day NIBOR edged up to 15.84% and 15.84% the prior week respectively. This week, we expect rates to taper on the back of higher trade surplus.

Insurance Market

The composite index of the Nigerian Stock Exchange (NSE) increased in the first week of the New Year. Market capitalization increased by N90 billion to end the week at N1.43 trillion as investors took position in bellwether counters. This week, we expect market volatility to continue as investors and fund managers rebalance their portfolios, while watching the political space and away full of year company earnings position and post-election market dynamics.

Money Market

Money market rates ticked up across all placement tenors following retail Seasonal Financing Scheme (SFS) auction conducted by the Central Bank of Nigeria (CBN). Short-dated placements such as Open Buy back (OBB) and Over Night (ON) rates rose to 20% and 25.75% from 17.17% and 18.42% respectively the previous week. All-dated placements such as 30 Days, 90 Days and 120 Days saw rates increase to 21.84%, 31.84% and 33.84% respectively from 17.17%, 18.42% and 20.42% respectively previously week. This week, we expect rates to taper on the back of Open Market Operation (OMO) maturity of N376 billion inhibiting the market.

Bond Market

Bond yields nosedived across most maturities owing to sell-off on the MAR 2024 and FEB 2026 maturities. Specifically, yields on the 5-, 10- and 20-year bonds finished at 15.40%, 15.32% and 15.49% respectively from 15.32%, 15.19% and 15.54% in that order the previous week. Access Bank bond index fell by 12.37 points to close at 704.51 points from 716.88 points in the previous week. This week, we expect rates to taper on the back of government capitulation as the CBN continues to supply FX.

Commodities Market

Oil prices dipped last week on concerns that an economic slowdown in 2019 will cut into fuel demand just as crude supplies are surging. U.S. crude production stood at a record 11.7 million barrels per day (bpd) in late 2018, making America the world’s biggest oil producer. The Organisation of Petroleum Exporting Countries (OPEC) basket price, last 97 cents to close at $52.35 a barrel, a 2% loss from the previous week. In contrast, precious metals continued their upward trajectory as prices increased for the third consecutive week. Warrants associating global economic slowdown and volatility in equities boosted safe-haven buying. Gold ended the week at $1,291.10 per ounce last week, while silver prices closed 36 cents, or 2.3%, higher at $17.91 per ounce. This week, a 90-day NIBOR edged up to 15.84% and 15.84% the prior week respectively. This week, we expect rates to taper on the back of higher trade surplus.

Insurance Market

The composite index of the Nigerian Stock Exchange (NSE) increased in the first week of the New Year. Market capitalization increased by N90 billion to end the week at N1.43 trillion as investors took position in bellwether counters. This week, we expect market volatility to continue as investors and fund managers rebalance their portfolios, while watching the political space and away full of year company earnings position and post-election market dynamics.