Market Analysis and Outlook: October 18 – October 25, 2019

**Global Economy**

In China, the economy expanded 6.0% year-on-year in the third quarter this year, higher than the 5.9% seen in the second quarter, and above the market consensus of 5.9%. The growth rate was attributed to strong investment and consumption. Consumer price inflation increased to 3.0% year-on-year in September from 2.8% in August, and producer price inflation increased to -0.3% from -0.5% in the previous month. The trade surplus widened to $53 billion in August from $48.8 billion in July.

In India, the growth rate slowed to 5.0% year-on-year in the third quarter, down from 5.7% in the second quarter and below the market expectation of 5.2%. Industrial production contracted 0.7% in August from a 1.2% rise in July, and consumer price inflation increased to 4.5% from 4.4% in July.

In Vietnam, the growth rate was revised upward to 6.6% year-on-year in the second quarter, up from the initial figure of 6.5%.

**Domestic Economy**

Data from the National Bureau of Statistics revealed that inflation rate for September 2019 increased to 11.2% year-on-year from 11.0% in August 2019. This is above the market expectation of 11.1%. The services sector contributed most to the increase, rising by 0.3% to an upwardly revised 11.5% in August. Food inflation increased by 3.4% when compared with 3.3% in the previous month and food and non-alcoholic beverages contributed to 51% of the overall inflation rate.

Inflation rate for September 2019 from an upwardly revised 3.28% in August 2018. Elsewhere, India’s Ministry of Statistics and Programme Implementation (MSPI) reported that inflation increased to 3.9% year-on-year in September from an upwardly revised 3.8% in the previous month. It is the highest inflation rate since July last year, almost touching the central bank’s medium-term target of 4%, as food prices increased by 3.7% year-on-year.

**Domestic Commodity**

Data from the Bureau of Energy revealed that crude oil production increased by 0.3% in August from 2.06 million barrels per day in July to 2.069 million barrels per day in August, and non-crude oil and gas production increased by 1.5% to 0.61 million tons per day in August from 0.594 million tons per day in July. However, the services sector contributed most to the increase, rising by 0.3% to an upwardly revised 11.5% in August.

The price of gold decreased by $1.6, or 0.1%, to $1,489.55 an ounce in August from $1,501.11 in July, and the price of silver increased by 0.1% to $17.52 an ounce in August from $17.50 in July. The price of crude oil declined by $13.2, or 4.1%, to $57.80 a barrel in August from $61.02 in July.

**Foreign Exchange Market**

The foreign exchange market in the week ended October 18 2019. The NAFEX window saw a slight appreciation of 2% to close at N56.15/$. While, the official window was appreciated at 0.1% to close at N56.20/$. The primary income gap of the month remained unchanged at N60.16 billion. The appreciation and stability recorded in the parallel and official market segments may be attributed to the apex bank’s regular efforts to boost the stability and alleviate dollar shortages. This week, we envisage that rates will climb higher due to expected Retail Secondary Market Intervention Sales (SMIS) and FX auctions.

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