Global Economy
In the US, factory activities recorded the strongest expansion since 2019 as output, new orders and employment increased at a faster rate. The ISM Markit Manufacturing PMI climbed to 51.5 in the month of October from 51.1 in the previous month. Data also revealed that new export sales went up for the first time in 4 months. Business confidence in the manufacturing sector is currently facing persistent pressure from slowing external demand.

Domestic Economy
The Nigerian Stock Exchange (NSE) published its monthly Domestic & Foreign Portfolio investment report for September 2019. The report revealed that the total transactions at the nation’s bourse increased by 15.85% to N141.45 billion from N121.99 billion recorded in August 2019. The total value of transactions executed by foreign investors outperformed domestic investors by 34%. Total domestic transactions decreased by 19.91% to N47 billion in September from N58.69 billion in August 2019. However, total foreign transactions increased by 47.81% to N94.45 billion from N63.90 billion during the same period. Total domestic transactions, which is split into retail and institutional investors, revealed that retail investors saw an increase of 5.89% from N23.92 billion in August to N24.83 billion in September 2019. Likewise, the institutional composition of the domestic market fell by 30.81% to N23.64 billion in September from N34.17 billion in August 2019. The performance of the current month when compared to the performance in the same period (September 2018) of the prior year revealed that total transactions increased by 8.64%. In other news, the Q3 2019 Consumer Expectations Survey revealed that the overall outlook by consumers was positive in the reference quarter. The index stood at 58 points which is higher than the expectation of another previous rate by 7.9 points from 14.32% at 12.41% of 14.33%, 14.11% and 14.33% at 12.26% at 14.39% in the reference month from 15.96% in the same period. The institutional composition of the domestic market fell by 30.81% to N23.64 billion in September from N34.17 billion in the preceding month. The performance of the current month when compared to the performance in the same period (September 2018) of the prior year revealed that total transactions increased by 8.64%. In other news, the Q3 2019 Consumer Expectations Survey revealed that the overall outlook by consumers was positive in the reference quarter. The index stood at 58 points which is higher than the expectation of another previous rate by 7.9 points from 14.32% at 14.33% in the reference month from 15.96% in the same period.

Stock Market
The Nigeria stock exchange witnessed a further week of consecutive losses as a poor performance was due to negative sentiment around the nation’s gloomy economic conditions, such as the higher inflation report for September. Consequently, the All Share Index (ASI) tapered off 0.38% to close at 24,368.62 points, the preceding week. Similarly, market capitalization declined 0.38% to close at N12.83 trillion worth N488.3 billion loss for the week. This week, we expect the market to react to released numbers in expectation of more quarterly earnings reports.

Money Market
Cost of borrowing went northwards due to Retail Secondary Market Intervention Sales as well as Open Buy Back (OBB) and Over Night (ON) rates climbed to 6% and 6.86% from 5.14% and 5.86% respectively the previous week. The 30-day Nigeria Interbank (NIBOR) rate also climbed marginally to 12.53% from 12.56% the previous week. This week, we envisage that rates would remain around prevailing levels, boosted by the Central Bank’s sustained supply of liquidity to the market.

Bond Market
The bond market traded with bullish sentiments following the clarification from the CBN regarding the earlier released circular barring individual and local corporations from accessing the OMO auction window. Yields on the five-, seven-, ten-year, and thirty-year debt papers closed lower at 13.58%, 14.09%, 14.17% and 14.30% from 14.32%, 14.13%, 14.17% and 14.27% respectively the previous week. The Access Bank Bond index climbed to 13.54 points by 2,500 points over the previous week. The Access Bank Bond index closed slightly lower at $18.24 per ounce, compared to $1,512.13 an ounce, up 1.52% from 14.77% a week earlier. This week, we expect the buying interest to continue given the robust system liquidity amid the declining yield trend.

Commodities
Oil prices spiked last week, bolstered in part by a relatively stable geopolitical scene and inventory deficit as the Energy Information Administration (EIA) reported that crude supply fell by 1.7 million barrels, ending a six-week streak of increases. Benny Light, Nigeria’s benchmark oil crude, jumped $3.04, or 5.26%, to $60.84 per barrel. In the same period. This reveals that the trade-reliant economy is currently facing persistent pressure from slowing external demand.

Market Analysis and Outlook: October 25 - November 1, 2019

CRITICAL MACROECONOMIC INDICATORS


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