In the US, the Commerce Department reported that the gap between the goods and services that the United States sells and what it buys from other countries dropped by $15.2 billion to $145.51 billion in January from $150.71 billion in December. Exports rose 0.9% to $207.3 billion, and imports climbed 0.3% to $222.58 billion. With regard to specific countries and areas, China still runs the N122.08 billion trade surplus reported in January 2019. Total trade, as reported by the European Union (EU) and Mexico, US goods deficit with China decreased to N31.5 billion from N28.9 billion in December. Elsewhere, business conditions in China’s economic sub-regions improved at the fastest rate for nine months in March, according to the latest Caixin PMI surveys. The Caixin China Composite PMI (which covers both manufacturing and services), compiled by IHS Markit, indicated the largest increase in output since mid-2014. The ‘all-sector’ output index rose to 52.5 in March from 50.2 in February. The rebound in March was mainly driven by improvement in new orders, especially in export orders, which rose to the second strongest rate since December 2017. In a separate development, seasonally adjusted employment in the Euro Area, unchanged from previous month figure at 7.8% in the previous month, rose to 8.2% in February 2019. This is also lower than the rate reported a year earlier at 8.5%. According to the European Statistical Office, Italy, remained the lowest jobless rate since October 2008.

Global Economy

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Market Analysis and Outlook: April 5th – April 12th, 2019

Domestic Economy

The Nigerian Stock Exchange (NSE) published its monthly Domestic & Foreign Portfolio investment report for February 2019. The report revealed that the total transactions at the nation’s bourse increased in the month. According to February 2019 by N14.06bn to N145.51bn from N131.45bn recorded in January 2019. Total foreign transactions witnessed an increase when compared to the previous month by 48% to N11.98bn from N7.46bn in January 2019. Total domestic transactions which is split between retail and institutional investors, showed that institutional investors outperformed retail investors by 8%. Total retail transactions increased by 38.6% to N23.51bn in February 2019 from N16.97bn in January 2019. There was a significant increase in foreign outflows which rose by 97.80% to N51.70bn from N26.12bn and foreign inflows which climbed by 91.24% to N45.31bn from N23.97 billion between January and February 2019. In a separate development, businesses expressed optimism on Nigeria’s growth momentum in March 2019 according to the Central Bank of Nigeria (CBN) monthly Business Expectations Survey (BES) report for March 2019 released last week. The macro-economy index came in at 82.2 points for the month. The month’s businesses outlook for April 2019 showed more confidence on the macro economy at 84.8 points. The independent firms were made up of small, medium and large organisations covering both foreign and export-oriented businesses. The positive outlook by businesses in March 2019, according to the report, was driven by the opinion of respondents from the following sectors: services (6.8 points), industrial (6.5 points), wholesale/retail trade (6.2 points) and construction (5.3 points) sectors. The surveyed firms listed insufficient power supply, high interest rate, unfavorable economic climate, unclear economic policy, and lack of export opportunities, insufficient demand, unfavorable political climate and access to credit as the major factors constraining business activity in the reference month.

Stock Market

Bearish Sentiments prevailed on the bourse last week as the all share index declined by 28.34 basis points. The week was marked by high volatility as the index ended the week at 30,000 “psychological mark. The All Share Index (ASI) sheds 42 points to 30,041.42 points the preceding week. Similarly, all the market sub-indexes tumbled. It shed 4.69% to N117.67 trillion from N111.67 trillion the prior week. The negative performance seen in the gauges of market performance, partly pressure on bellewther counters. This week, we anticipate the equities market will sustain a negative outflow as investors continue to tread cautiously.

Money Market

Currency forwards edged up slightly last week following several Open Market Operation (OMO) mop ups conducted by the CBN which tightened system liquidity. Consequently, short-dated placements such as Open Buy Back (OBB) and Overnight (ON) rates climbed to 15.29% and 16.14% from 9.86% and 10.67% respectively the previous week. In the same vein, longer-dated placements notched upwards. In contrast, the 30-day and 90-day NIBOR closed lower at 11.41% and 12.6. 7% from 12.2% and 12.92% respectively. Ongoing market liquidity is expected to remain strained due to wholesale and retail Secondary Market Intervention Sales (SMIS) scheduled for this week. We expect the naira to hover around prevailing levels at the various windows, boosted by the Central Bank’s sustained supply of liquidity to the market.

Bond Market

Last week, yields declined further as the market recorded low trading volumes. Yields on the five-, seven-, ten-, and twenty-year debt papers closed higher at 14.53%, 14.39%, 14.47%, and 14.57% from 14.15%, 14.15%, 14.27% respectively the previous week. The Access Bank Bond index declined by 14.03 points to close at 2,797.88 points, 99.51 points the previous week. This week, we expect the yield to persist as participants remain risk averse.

Commodities

Oil prices climbed higher last week supported by the OPEC cuts and signs of tightening supplies. The recovery has come as Saudi Arabia has led OPEC in slashing output to compensate for fast-growing production from US shale, while Venezuela and Iran’s output has fallen sharply due to US sanctions. OPEC barrel crude rose $2.38, or 4%, to $68.76 per barrel. Conversely, precious metals prices declined for the second consecutive week as the dollar rose against yen on signs of progress in the US-China trade dispute and strong US economic data. Consequently, Gold shed $8.91, or 0.69%, to $1,289.93 an ounce. This week, we expect oil prices to maintain the momentum due to positive signs for the global economy and tighter monetary conditions. For precious metals, higher U.S. labour market figures might put further pressure on bullion values.