Global Economy

In the US, the Federal Reserve Chairman Jerome Powell delivered his highly anticipated speech at the Jackson Hole Economic Policy Symposium, reiterating the Fed’s willingness to use monetary policy to sustain the U.S. economic expansion. The Fed Chief cited President Donald Trump’s announcement of new tariffs on Chinese imports as well as further signs of a global economic slowdown, notably in Germany and China. Powell also pointed to several geopolitical events, suggesting the growing possibility of a hard Brexit, rising tensions in Hong Kong, and the dissolution of the Italian government as a result of the subsequent uncertainty. Powell said the Fed is carefully watching developments as we assess their implications for the U.S. outlook and the path of monetary policy. In a separate development, Eurozone economic confidence improved, with August data showing an advance in manufacturing and services. The survey data indicated that the European Commission’s Economic Sentiment Index rose to 105.1 in August from 104.4 in July, marking the highest level in over a year.

In Europe, the German DAX index gained 0.6%, while France’s CAC 40 rose 0.5%, and Britain’s FTSE 100 advanced 0.4%. In Asia, Japan’s Nikkei 225 index climbed 0.2%, and China’s Shanghai Composite index rose 0.1%. In the United States, the S&P 500 index was unchanged, the Dow Jones Industrial Average gained 0.1%, and the Nasdaq Composite index declined 0.1%.

In the commodities sector, the price of oil rose following a huge crude oil draw. The U.S. Energy Information Administration reported a 10-million-barrel draw in crude oil inventories. The decline was due to profit taking as investors take advantage of the strong economic outlook. Oil prices rose as the market anticipated a smaller oil surplus than expected from the Organization of Petroleum Exporting Countries (OPEC) and its allies. The price of oil rose to $61.21 per barrel compared to $60.33 the prior week. This week, prices of bond might decline due to profit taking as investors take advantage of the higher interest rates.

In the foreign exchange market, the naira recorded mixed performance against the dollar. The decline was due to a slowdown in the importation of consumer goods. The weak local currency might benefit emerging market exchange rates against the dollar.

In the bond market, the yield on the Nigerian government bond index decreased by 2.8 points to 14.37%, 13.85%, and 14.36% on the five-, seven-, and ten-year debt, respectively.

In the money market, the average overnight (O/N) rates settled at 9.29% and 9.2900% for Thursday and Friday, respectively. The stability recorded in the NAFEX market will remain bearish amidst profit-taking and investors hedging their portfolios in anticipation of deteriorating earnings reports of dividend-paying companies.

Market Analysis and Outlook - August 30 - September 6, 2019

Stock Market

The money market saw a decline in liquidity as supported by Federal Account Allocation Committee (FAAC) disbursed the sum of N763.6 billion into the system. Consequently, short-dated placements such as Open Buy Back (OBB) and Overnight (O/N) rates settled at 9.29% and 10.50% from 12.71% and 18.79% respectively for the previous week. This week, we envisage the stability in the market would continue due to consistent FX liquidity injections by the CBN.

Bonds Market

Average bond yields dropped across most segments. The decline was due to a slowdown in the importation of consumer goods. The weekly average bond yields stood at 14.5%, 13.8%, and 14.9% on the five-, seven-, and ten-year debt, respectively.

Bond Market

The index advanced to +0.5 from -0.7 in July. The strong confidence in industry and retail trade, while morale deteriorated significantly in services and construction. The industrial sentiment index climbed to -5.9 from -7.5 in July. The strong increase in the retail trade confidence was fueled by buoyant optimistic views on the improvement of the situation and the adequacy of the volume of stocks. The index advanced to +10.5 from +0.7 in July.

The recent data from various sources showed that the confidence index (CI) on the macro economy in the fourth quarter of 2019 was posted on the apex bank’s website. The index recorded a decline in the period under review.

The index has been calculated on a quarterly basis. The index is a weighted average of 162 firms listed insufficient power supply, high interest rates, the political climate in that order as the major factors affecting the business outlook for September 2019.

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Inflation Rate (%)

The year-on-year inflation rate for August 2019 was recorded at 10.93%, a decrease of 0.23% from 11.16% in July 2019. The inflation rate for the 12-month period ending August 2019 was recorded at 15.38%, a decrease of 0.2 point from the rate of 15.58% recorded in July 2019.

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