Market Analysis and Outlook: December 06 - December 13, 2019

Global Economy

In the U.S, the trade deficit narrowed to $47.2 billion in October from a downwardly revised $51.1 billion in the previous month. Imports slumped 1.7% to $234.5 billion to the lowest value in two years amid falling purchases of pharmaceutical preparations, auto parts, vehicles and cell phones and exports edged down 0.2% to $207.1 billion. Exports of goods increased to all major trading partners: China (3.5%), Canada (3.6%), Mexico (8.6%), Japan (1.4%) and Brazil (0.9%). The trade deficit narrowed 0.5% in Q2 Q3 due to higher exports of farm and oil products. The trade surplus for various market participants.

Monetary Policy

In the week ended December 6, 2019 as a result of net Open Market Operation (OMO) credit of about N316 billion into the system and retail Secondary Market Intervention Sales (SMIS) refund after the week. Short-dated placements such as Open Buy Back (OBB) and 1-3 months from 3.07% and 3.79% from 3.79% and 4.50% respectively the previous week. The longer dated instruments such as the 364 day and 90-day Nigeria Interbank Offered Rate (YiBOI) rose from 14.70% and 14.70% from 12.45% and 13.03% the prior week. This short, tenure rates are expected to hover around current levels.

Foreign Exchange Market

The local currency appreciated against the greenback to close at N306.95/US$ from N310.57/US$ the prior week at the CBN official window. However, at the Nigerian Autonomous Foreign Exchange (NAFEX) segment, the local currency depreciated by 29kobo to close at N362.74/US$ from N362.50/US$ the previous week. The local currency traded flat at the parallel market.

Bond Market

The Bond market ended the week on a bullish note due to the absence of better investment alternatives that can provide higher yield for various market participants. This resulted in continued demand for various maturities which led to a further decline in average yields. Yields on the five-, seven-, ten- twenty- and thirty-year debt papers finished at 10.7%, 12.14%, 11.69%, 12.34% and 12.42% from 11.74%, 11.45%, 11.74%, 12.93% and 13.03% respectively. The NIBOR index rose significantly by 105.66 points to close at 2,873.10 points from 2,767.44 points the prior week. We expect robust liquidity to continue to drive buying sentiments in the near term.

Commodities

Prices kept up momentum as a meeting of the Organization of the Petroleum Exporting Countries (OPEC) and its allies agreed to more output cuts in early 2020. Bonny light, Nigeria’s benchmark crude added 1.28% or 82 cents to close the week at $64.87 per barrel. Precious metals prices inched up last week as conflicting signals from Washington and Beijing prolonged uncertainty about a trade deal. Consequently, gold gained 1.31% or $18.42 per ounce and silver rose 0.9% to $18.16 per ounce. The oil index rose significantly by 105.66 points to close at 2,873.10 points from 2,767.44 points the prior week. Oil prices may keep up the current trend due to the recent agreement to more output cuts to avert oversupply. For precious metals, prices may trend southwards due to China’s announcement to waive import tariffs on some American goods.

Stocks

At the local bourse nosedived in the week ended December 6, 2019 for the fifth straight week taking in the financial services and industrial goods sectors. Consequently, the All Share Index (ASI) shed 0.54% to end at 26,853.52 points from 27,002.15 points the preceding week. Similarly, market capitalization fell 0.54% to N12.96 trillion from N13.03 trillion the prior week. We expect investors to lock in stocks with attractive dividend yields in the coming weeks.

For queries, contact: Rotimi Peters (Chief Economist) Email: rotimi.peters@accessbankplc.com