Market Analysis and Outlook: July 5 - July 12, 2019

Global Economy

In the US, the Labor Department released a report showing the employment growth at much more than expected in the month of June. The report said employment surged up by 4,000 jobs in June after job gains fell by a doverly reduced weekly 72,000 jobs in May. The Labor Department said the stronger than expected job growth reflected significant job gains in professional services, healthcare, and transportation and warehousing. Elsewhere, the Eurozone seasonally-adjusted unemployment rate dropped to 7.5% in May 2019 from 7.6% in the preceding month. According to the European Statistical Office, it was the lowest jobless rate since July 2008 as the number of unemployed people in the Euro Area decreased by 103,000 to 12,348 million in May compared to April. Compared with the previous year, it dropped by 1.13 million. Among EU Member States, the lowest unemployment rates in May were recorded in Czechia (2.2%), Germany (3.1%) and the Netherlands (3.3%). The highest unemployment rates were observed in Greece (18.1% in March 2019), Spain (15.6% and Italy (10.9%). Compared with a year ago, the largest decreases were registered in Greece (18.1% from 20.2% between March 2019 and March 2020), Spain (15.6% from 14.5%) and Cyprus (6.5% from 8.3%). In a separate development, Brazil’s trade surplus contracted to $2.0 billion in June from $3.5 billion in May 2019 mainly due to lower sales of manufactured goods and imports dropped 9.1% to $13.03 billion, mostly due to lower purchases of consumption, intermediate and capital goods.

Domestic Economy

The Nigeria Bureau of Statistics in a recent report disclosed that the current account deficit for capital importation stood at $8.648 billion in the instruments closed in Q4’18. Representing an increase of $14.271 billion from the $5.607 billion recorded in June 2019 from $3.38 billion in the corresponding period of the prior year. The country’s foreign trade deficit (imports minus exports) contracted to $2.032 billion from $2.348 billion in December 2018, representing a decrease of 1.38% from the $2.063 billion recorded in June 2019, mainly due to lower sales of manufactured goods and imports dropped 9.1% to $13.03 billion, mostly due to lower purchases of consumption, intermediate and capital goods.

Bond Market

Average bond yields further waned across all segments in the week ended July 5, 2019. This was fuelled by the absence of an Open Market Operation (OMO) auction amid a system with liquidity. Conversely, yields in the five-, ten- and twenty-year debt market fell by 0.14% from 14.21% to 14.04%, 14.14% and 14.38% respectively. The Access Bank Bond index moved further by the absence of an Open Market Operation (OMO) auction amid a system with liquidity. The nerve in the secondary market remained unaffected if the liquidity levels in the interbank remained stable.

Commodity

The price of oil dipped last week weighed down by data showing a smaller-than-expected draw on US crude stockpiles along with fears over future demand amid trade disputes threatening global economic growth. Brent Light, Nigerian benchmark crude settled at $64.53 per barrel last week, 3.24% lower than the previous week. Precious metal prices went in varying direction as the price of gold edged up while the price of silver slipped. The slight rise in gold prices was reflected US dollar weakness which fuelled safe-haven demand. Conversely, gold closed at $1,414.24 per ounce, up 0.03%, from $1,414.24 per ounce, up 0.03% from the previous week’s close. In contrast, silver declined slightly by 0.25% per ounce compared to $15.24 per ounce the prior week due to low demand. This week, oil prices may likely nudge higher buoyed by a commitment at the G20 summit between the US and China to restart trade talks. For precious metals, we envisage safe-haven demand to persist.

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