Global Economy

In the US, the ISM purchasing managers index (PMI) edged down to 51.7 in June, a figure slightly above the 51.1 in May, although the reading above 50 still indicates growth in the manufacturing sector. The modest slowdown in manufacturing growth came as the new orders index dropped to 50.0 in June from 52.7 in May. Meanwhile, the production index climbed to 54.1 in June from 51.3 in May, indicating an acceleration in the primary industry and a 5.8% rise in the secondary industry. In a separate development, Eurozone industrial production grew by 2.5% in the second quarter from a year earlier, after expanding 6.3% in the first three months of the year. Industrial output releases by the country’s National Bureau of Statistics showed. A breakdown of the data showed output of the service sector, which accounted for 54.9% of the total GDP, rose 7% in the first half of the year, outpacing a 3.3% increase in the primary industry and a 5.8% rise in the secondary industry. In a separate development, Eurozone industrial production grew by 2.5% in the second quarter from a year earlier, after expanding 6.3% in the first three months of the year. Industrial output releases by the country’s National Bureau of Statistics showed. A breakdown of the data showed output of the service sector, which accounted for 54.9% of the total GDP, rose 7% in the first half of the year, outpacing a 3.3% increase in the primary industry and a 5.8% rise in the secondary industry. In a separate development, Eurozone industrial production grew by 2.5% in the second quarter from a year earlier, after expanding 6.3% in the first three months of the year. Industrial output releases by the country’s National Bureau of Statistics showed. A breakdown of the data showed output of the service sector, which accounted for 54.9% of the total GDP, rose 7% in the first half of the year, outpacing a 3.3% increase in the primary industry and a 5.8% rise in the secondary industry. In a separate development, Eurozone industrial production grew by 2.5% in the second quarter from a year earlier, after expanding 6.3% in the first three months of the year. Industrial output releases by the country’s National Bureau of Statistics showed. A breakdown of the data showed output of the service sector, which accounted for 54.9% of the total GDP, rose 7% in the first half of the year, outpacing a 3.3% increase in the primary industry and a 5.8% rise in the secondary industry.

Money Market

There was a significant increase in money market liquidity towards the end of the week as the Retail Secondary Market Intervention Sales (SMIS) FX auction held on the last day of the trading week witnessed delisted placements such as Open Buy Back (OBB) and Over Night (ON) rates settled higher at 11.93% and 12.64% from 2.2% and 2.9% respectively last week. Similarly, the Access Bank Bond index closed higher by 0.74% at 12.28% in the previous week. This week, we envisage the Monetary Policy Committee (MPC) will meet and decide on some policies.

Foreign Exchange Market

Last week, the naira was mainly stable across most markets except at the NAFEX window. At the parallel market, the Naira saw a marginal appreciation as it ended N365.95, a 5 kobo gain from the prior week. The parallel market remained unchanged at N360.90. At the NAFEX window, it saw a depreciation of 6 kobo to close at N361.46/5. The appreciation recorded in the official market segment may be attributed to the apex bank’s regular interventions. This week, we envisage the stability in the market will remain consistent with the FX liquidity injections by the CBN.

Bond Market

The bond market traded with bullish sentiments despite the recently released bond calendar, which showed the market witnessed some buying on select maturities especially the 2021, 2023 and 2035 securities. Yields on the five-, ten- and twenty-year debt instruments closed lower at 13.91%, 13.87% and 13.86% respectively.

Agriculture

Despite this welcome improvement, levels of industrial production remain lower than in the previous month’s figure for the bloc as a whole at 0.9%. In Germany, industrial production grew by 0.3% in May, following a 2% decline in April. Despite this welcome improvement, levels of industrial production remain lower than in the previous month’s figure for the bloc as a whole at 0.9%.

Commodities

While the price of oil plunged in the market after Iran offered the U.S. its new nuclear deal if it drops its offer on the tanker, the U.S. foreign minister on a visit to New York in an effort to smooth heightened tensions between the two nations. Bonny Light, Nigerian benchmark crude settled at $62.38 per barrel last week, 7.84% lower than the previous week. The outcome of the MPC and Bond auction scheduled to hold this week will largely determine the direction of the secondary market.

Domestic Economy

The Consumer Price Index (CPI) which measures inflation rose by 10.2% year-on-year in the month of June 2019, which is 0.18% points lower than the 10.41% recorded in May 2019. The food index increased by 13.56% (year-on-year) in the reference month, slightly lower than 13.7% recorded in May, thus indicating declining pressure in the prices of food items. The core sub-index, which excludes prices of farm produce declined by 0.2% to settle at 8.6% in June 2019 from the previous month’s figure of 9% year-on-year. During the month, the highest increases were seen in the prices of fish, bread and cereals, vegetables, salt, fruits, potatoes, yam and other tubers, oils and fats. Others are tobacco, major household appliances whether electronic or not, medical and hospital services, cleaning, repair and hire of clothing, actual and inputted rent for housing, repair and hire of footwear services and repair of household appliances. In a separate development, the National Bureau of Statistics, in a recent report titled "Nigerian Domestic and Foreign Debt", revealed that the country’s total public debt portfolio stood at N24.95 trillion as at March 31st 2019. External debt was domestic. Lagos state accounted for the largest share of the domestic debt at N17.08 trillion or 68.49% of the country’s total public debt portfolio. Yobe State has the least debt stock in this category with a contribution of 0.68% to the total domestic debt stock.

Stock Market

The Nigeria Stock Exchange witnessed significant sell-offs for the third consecutive week, with the All-Share Index (ASI) dipping by 2.77% to settle at 27,350.50 index points. The ASI was at its lowest level since February as it receded by 177.34 points from 28,567.89 index points the previous week. Similarly, Market capitalization contracted by 2.25% to close at N13.65 trillion from N13.93 trillion last week. We expect investors to continue to tread cautiously this week in the absence of any definitive positive market triggers.

Market Analysis and Outlook: July 19 – July 26, 2019

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