Market Analysis and Outlook: June 21–June 28, 2019

**Global Economy**

The Federal Reserve left the benchmark interest rates unchanged last week despite recent pressure from the President of the United States. The Federal Open Market Committee (FOMC) chose to keep the federal funds rate between 2.25% and 2.5% and adjusting its forecast for 2019 economic growth unchanged while it revised higher for 2020 after their two-day policy meeting in Washington, D.C. The FOMC cited a strong labour market, a moderate rise in economic activity, low unemployment rate and that the US job gains for this decision. The Federal Reserve decided to “patient” in adjusting interest rates and said that all will be needed, in order to sustain the economic expansion. Fed officials now expect rate cuts in 2019. Elsewhere, the Bank of Japan held its key short-term interest rate constant at -0.1% at its June meeting, as expected. The market had anticipated the Bank of Japan Reser saved at possible interest rate cuts later this year. Policymakers also kept the target for the 10-year Japanese government bond yield at around 0.0%, but warned that downside risks regarding overseas economies were likely to be significant so that close attention should be paid to their impacts on firms’ and households’ sentiment. In a separate development, Euro Area trade surplus contracted to EUR 15.7 billion in April of 2019 from EUR 17.1 billion in the same month of the previous year. According to European Statistical Office, imports rose by 6.6% to EUR 177.2 billion in April from last year’s EUR 166.3 billion, while exports increased at 5.2% to EUR 182.8 billion from EUR 183.4 billion. Euro-area trade surplus in April 2019, which is 0.03% points higher than the 11.37% recorded in April 2019. The food index increased by 13.79% (year-on-year) in April, which is significantly higher than the 13.7% recorded in April, thus indicating further pressure in the prices of foods items. The core sub-index, which excludes prices on farm produce decreased to 9% from 9.3% recorded the prior month. During the month, the highest increases were seen in the prices of potatoes, yam and other tubers, bread and cereals, milk, cheese and egg, vegetables, fish, oil, and fats. Prices of tobacco, dental services, medical & hospital services, clothing, repair & hire of clothing, actual & expected inputed rent for housing, repair household appliance and repair and hire of footwear. In other news, the Nigerian Stock Exchange (NSE) published its monthly Domestic & Foreign Portfolio investment report for May 2019. The report revealed that the total transactions at the nation’s bourse increased by 48.49% to N11.13 billion from N6.506.68 billion in May 2018. Similarly at the parallel market, naira depreciated against the 3632/5 rates closed narrower at N36.49 and 36.96 against 3.2% and 5.29% and 5.71% respectively the previous week. However, the 30-day NIBOR closed lower at 12.31% from 12.31% the previous week. This week, liquidity may be bolstered by Open Market Operation (OMO) maturity of about N38 billion.

**Domestic Economy**

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