Global Economy

In the US, the Federal Reserve left the target range for the federal funds rate at 2.25-2.50% unchanged during its March meeting. It also lowered its forecast for US economic growth. Policymakers lowered its 2019 growth forecast to 2.1%, compared to 2.5% previously projected, and for 2020 it was revised down to 1.9%, compared to 2.0%. The 2021 growth forecast remained unchanged at 2.0%. Fed officials now expect rates to remain at current levels at least until the end of the year, compared to the prior 0.60% projection at the December policy meeting. Elsewhere, the Bank of England and a Monetary Policy Committee voted unanimously to leave its benchmark interest rate constant at 0.75% during its March policy meeting. It also reaffirmed its pledge to gradual and limited rate rises over the forecast period, despite persistent concerns about Brexit. Policymakers also noted that softening in global GDP and commodity prices has continued, while CPI inflation is expected to remain close to the 2% target over coming months. In a separate development, Japan’s consumer price inflation was recorded at 0.2% year-on-year in February 2019, unchanged from the previous month’s 15-month low figure according to statistics office of Japan. Prices of food and transport fell for the third month in a row, while cost of housing was flat after declining for 14 consecutive months.

Local Economy

The Federal Government said it will prioritise borrowing from concessional lenders such as the World Bank and African Development Bank (AfDB) to curb interest payment costs. According to the Director-General, Debt Management Office (DMO), the concessionary nature of the AfDB, World Bank, and Development Bank of China’s windows, among others, gives Nigeria the opportunity to refinance at attractive rates. DMO said it is planning to borrow $5 billion in 2020, with $2 billion each from the AfDB and World Bank, and $1 billion from the Development Bank of China. DMO said, the successful issuance of two $1 billion sovereign bonds in the international market at an all-time low coupon of 3% in 2019 has informed the plan. It also said the 3% coupon rate, which was much lower than the benchmark yields of 7.3% at the time of issuance and the current average yields of 9.9% in the local currency bond market is seen as a good strategic opportunity to access cheap and competitive funding.

Stock Market

Indicators at the local bourse were bearish for most of the week as intense profit taking was seen in the market. However, on the last day of the trading week, the market returned to positive territory with lots of buying interest in the banking industry, leaving the market virtually unchanged from the previous week. The All Share Index (ASI) eased by 0.01% to 31,139.35 points from 31,142.72 points the preceding week. Similarly, Market capitalization contracted by 0.01% to N11.61 trillion from N11.61 trillion the prior week. This week, we expect market volatility to also continue as investors and fund managers reposition their portfolios, with eyes fixed on earnings reports.

Money Market

Money market rates trended upwards as the central bank conducted several open market auctions last week thereby causing liquidity levels to decline. Accordingly, short-dated placements and 91 day onshore (ON) rates climbed to 14.25% and 14.83% from 11.17% and 11.63% respectively the previous week. Conversely, longer-dated interbank rates, such as the 30- and 90-day NIBOR declined to 10.38% and 12.63% from 11.17% and 13.03% the previous week. The parallel market remained unchanged at N50/$1.95 the prior week. This week, Retail Secondary Market Intervention Sales might likely drive rates higher.

Foreign Exchange Market

The naira appreciated against the dollar across most market segments last week. At the Investors’ and Exporters window, it gained 18 kobo to settle at N50.43/$ from N50.61/$ the previous week. Similarly, at the official window, it appreciated by 5 kobo to settle at N306.65/$ compared to N306.95/$ the prior week. The parallel market remained unchanged at N50/$1.95 the prior week. This week, the appreciation and stability recorded in the parallel and official market segments may be attributed to the apex bank’s regular efforts to boost FX liquidity and alleviate dollar shortages. This week, we envisage the stability in the market would continue due to consistent FX liquidity injections by the CBN.

Commodities Market

Prices were propped up by an unexpected 9.6 million barrel (mm) crude oil withdrawal from storage last week according to the Energy Information Administration. This is the third consecutive week of decline in US crude inventories. Bonny light, Nigerian benchmark crude, gained $1.52 to close at $67.55 a barrel, 2.3% higher from the previous week. In a similar vein, previous month prices edged up for the second consecutive time due to a surprisingly more dovish tone coming from the OPEC’s statement. Consequently, gold prices notched up by 0.08% to $1,311.05 per ounce last week. Silver prices also edged up by 0.10% to $15.47 per ounce. This week, oil prices will largely depend on the outcome of the U.S. and Chinese trade negotiations. For precious metals, prices are likely to trend around current level buoyed by present sentiments of the US key interest rate halt.

Stock Market Analysis and Outlook: March 22nd – March 29th, 2019

BOND MARKET

The Bond market remained quiet with minimal activity across the curve, this is evidenced by the negligible change seen in bond price week-on-week. Yields on the five-, seven- and twenty-year- debt papers closed higher at 14.63%, 10.75%, and 13.95% respectively the previous week. Conversely, longer-tenured interbank rates, such as the 30- and 90-day NIBOR declined to 11.17% and 11.67% respectively the previous week. The Bond market remained quiet this week with no notable activity across the curve as the stability in the market would continue due to consistent FX liquidity injections by the CBN.

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Money Market

Market Rate

Forex Intervention Sales

March 22nd

March 29th

Depository Rate

0.5

0.8

Underlying Data

Exchange Rate

306.65

306.95

Source: CBN, Financial Market Dealers Association of Nigeria (FMDAN), NSE, AfDB, DMO, and various news organizations.

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