Market Analysis and Outlook: November 15 – November 22, 2019

**Global Economy**

In the US, the nation’s budget deficit widened by $53.5 billion in the month of October to $134 billion from $100.5 billion a year earlier. Individual income taxes accounted for $126 billion, customs duties accounted for $8 billion and corporate income taxes for $7 billion amongst other receipts. According to the US treasury department, under the economy’s policies, social security taxes are lower by 0.2% and net federal revenue $1 trillion, health for $51 billion, and education for $11 billion amongst others. The US fiscal year for 2018/2019 ended in September 2019 and the economy recorded a budget gap of $984 billion in the largest budget deficit since 2012. Elsewhere, the Japanese economy advanced at a significantly slower pace in the third quarter of 2019. The nation expanded at 0.2% year-on-year in the quarter, much slower than the growth of 1.8% in the previous quarter and 2.1% in the first quarter. This is the slowest expansion this year arising from poor global growth prospects and rising trade restrictions weighing on the external sector of the economy and spreading to all important manufacturing activities. In a separate development, India’s inflation rate climbed to 4.62% year-on-year in October 2019, above the Reserve Bank of India’s medium-term target of 4%. This is the highest inflation rate since July 2018 according to the Ministry of Statistics and Program Implementation (MOSPI). The nation recorded a rate of 1.9% in the previous month. Foodprices contributed 8.0% in the month from 7.1% in September mainly due to disruption in supply chain and acquisition restrictions on traders.

**Domestic Economy**

The Central Bank in its recent economic report for the quarter, 2019, revealed that the Federal government revenue from the non-oil sector rose to N 1.56tn. The CBN said, “Non-oil revenue (gross), at N3.89tn, rose by 37.9% above the predetermined quarterly budget of N3.14tn by 1.4%. It, similarly, rose above the previous quarter's close of N3.49tn, compared to 28%. According to the report “The higher non-oil revenue, relative to the quarterly budget, was as a result of increased receipts from corporate taxes, and improvements in the collection of the Nigeria Customs duties. The report also said that the gross oil revenue, at N4.10tn or 49.6% of the total receipts, was below the quarterly budget by 44.6%, but was above the receipt in the previous quarter by 9.9%. The contraction in oil revenue, compared to the quarterly budget, was due largely to shortfalls in all the components of oil revenue, except domestic crude oil and gas sales. In a separate development, the Debt Management Office (DMO) has said the Federal Government will auction N150bn worth of bonds by subscription on November 20. A recent circular from the DMO showed that a N50bn five-year reopening bond maturing in April 2023 would be offered at 2.75% above the prevailing yield on N50bn 30-year reopening bond maturing in March 2049 would be auctioned at 14.51%; while N50bn 30-year reopening bond maturing in April 2049 would be auctioned at 14.8%. According to the DMO, the auction date is November 20, while the results are to be announced by November 22. The circular said the DMO, on behalf of the Federal Government is offering the bonds for subscription by auction and is authorized to reallocate applications for them.

**Commodity**

Crude Oil (N/Dollar) 62.85 62.35 0.50

Net natural gas production mbpd (OPEC) 1.81 October 2019 figure — a decrease of 2% from September 2019 figure

Monetary Policy Rate (%) 13.5 Adjusted to 13.5% in March 2019 from 14%

Inflation rate (%) (y-o-y) 11.24 Increased to 11.24% in September 2019 from 11.02% in August 2019

Currency in Circulation (N’ trillion) 2.01 Decreased by 0.66% in Sep’ 2019 from N2.02 trillion in Aug’ 2019

**Access Bank Rateswatch**

In the week ended November 15th, 2019, with increased demand for various maturities across the curve following the CBN directive that exempts individuals and corporations from huge fees charged for Open Market Operation (OMO) T-bills auction. Yields on the five-year, seven-, ten-, twenty- and thirty-year bonds declined to N362.79/$. This week, we expect foreign exchange rates stability to remain intact as the CBm continues intervening in the market.

**Bond Market**

Average bond yields further ticked downwards across most segments in the week ended November 15th, 2019, with increased demand for various maturities across the curve following the CBN directive that exempts individuals and corporations from huge fees charged for Open Market Operation (OMO) T-bills auction. Yields on the five-year, seven-, ten-, twenty- and thirty-year bonds declined to N362.79/$. This week, we expect foreign exchange rates stability to remain intact as the CBm continues intervening in the market.

**Commodities Market**

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**Source:** CBN, Financial Market Dealers Association of Nigeria, NSE and Access Bank Economic Intelligence Group compilation.