**Market Analysis and Outlook: December 18 – December 25, 2020**

**Growth/Economy**

In the US, the Federal Reserve kept the target range for the federal funds rate unchanged at 0.00-0.25% during its December meeting. The Fed will continue to increase purchases of Treasury securities by at least $120 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress toward its goals is achieved. The rate hike is expected at a fast pace in both 2021 (4.2% of GDP) and 2022 (2.2% of GDP). Elsewhere, the Bank of England voted unanimously to keep the key policy rate at a record low of 0.1%, another increase in the bond-buying program by 861 billion pounds during its December meeting, as policymakers take a wait-and-see approach amid uncertainty surrounding a post-Brexit trade deal and concerns over the coronaviruses situation. The central bank noted that the successful trial of some COVID-19 vaccines in various stages of clinical trials has increased the chances of a post-Brexit trade deal, with the Bank of Japan (BoJ) left unchanged at 0.1% in short-term interest rate. The target for the 10-year Japanese government bond yield was around 0% during its December meeting in 1.0%. The BoJ also mentioned that it will not change its yield curve control or quantitative easing framework. However, the central bank will use the discretion of additional purchases of commercial papers and corporate bonds by 1 million yen until the end of September 2021, with a cumulative plan of an amount of outstanding of 100 to 150 billion yen. In addition, the Bank of Japan also extended to six months in September 2021 to fund and spread for companies that are in difficulties.

**Foreign Exchange**

The yen depreciated across most major currencies last week as the US dollar soared higher due to the recent fiscal stimulus package. The Japanese Government Foreign Exchange (FEX) data shows a net increase in yen purchases by 386.37 billion yen. The yen’s official rate remained unchanged against the yen. The turnover of FX settled at 2.974 trillion yen from 2.55 trillion yen. The yen’s official rate remained at 109.16 yen per US dollar. We expect the yen to weaken against the US dollar as the current market to remain around similar levels seen.

**Road Bond**

The bond market was majorly bearish last week as market participants continued to sandbox the growth uncertainty in the market. Consequently, average yields on the 10-year bond edged down on the 0.23-0.25% and 0.53-0.57% for 2023 and 2024, respectively. The access bond (GO) weakened slightly last week as the result of a modest increase in the yield curve for the 10-year Treasury bond.

**Commodities**

The price of crude oil above $55 per barrel for the week ended December 18, 2020, increased significantly March 2020 as prices of crude oil and commodities, prices on other tubes, meat, fish, fruits, vegetables and oil and fats. On a monthly basis, consumer prices increased 1.21% in the month since 2017, with an increase of 1.41% in the previous month. In a separate development, the President of Nigeria increased the immediate recovery of FGN’s inflation and consumer prices, on a year-over-year, they were all down. This was disclosed in a statement by the President last week. In October 2019, the Federal Government (FG) of Nigeria ordered the complete closure of Nigeria’s borders, putting a ban on all imports and the easing of movement of goods and people out of the country. Last month, the Minister of Finance disclosed that the Federal Government was considering reopening the country's borders. The Nigerian stock market witnessed a tumultuous last week as it closed on a positive note. The index crossed the 26,000 mark, its highest level since August 2018 on hopes that the rollout of COVID-19 vaccines and the prospects of economic stimulus package in major economies will pave the way for a economic recovery next year. Consequently, the All Share Index (ASI) and market capitalization closed on 26,748.4 billion with a gain of 323.2 billion and a gain of 0.29% in ASI and market cap in 108.13% and 59.02% respectively in the previous week. This week, we expect market to remain bullish following the President’s order of the immediate reopening of the borders with monitors.

**Monthly Macroeconomic Forecast**

### Variables

- **Exchange Rate**
  - **AUD/NZD**: 0.7081
  - **EUR/USD**: 1.1615
  - **GBP/USD**: 1.3066
  - **USD/CNY**: 6.4823

- **Inflation Rate**
  - **Core CPI**: 2.4%
  - **Core GDP**: 2.4%

- **Unemployment Rate**
  - **US**: 6.4%
  - **Europe**: 7.5%

### Sources


- Core CPI (Monthly) is the same as the previous day.