Global Economy

In the Eurozone, inflation printed at 1.1% year-on-year in January 2020, the highest since April last year, boosted by prices of energy (5.9% vs. 0.2% in December) and unprocessed food (2.3% vs. 2.1%). According to European Statistical Office, costs rose at a softer pace for meat, beverages (2.6% vs. 2.6%) and certain industrial goods (0.3% vs. 0.5%). The annual core inflation rate, which excludes energy, food, alcoholic beverages and non-alcoholic products, rose below 1% in December. Elsewhere, Brazil’s current account deficit advanced to $11.88 billion in January 2020 from $8.05 billion in the previous month, up by 24.2% year-on-year. The primary income surplus increased to $5.0 billion in January 2020 from $4.1 billion in December 2019, 35.2% higher year-on-year. For enquiries, contact Rotimi Peters (Team Lead, Economic Intelligence) (01) 2712123

Stock Market

Nigerian stock exchange witnessed further losses as investors eagerly waited more earnings reports and dividend news, especially from the large companies for a reversal of the lingering bears. Consequently, the All Share Index (ASI) declined 1.1% to trade at 27,388.62 points from 27,755.87 points the previous week. The week, we expect that market sentiment will improve in the hope of major earnings reports.

Money Market

Rates at the money market slightly increased but remained at single digit as market liquidity was sustained. Short-dated call rates (ON) and Over Night (ON) rates settled higher at 3.83% and 3.2% from 3.2% and 3.25% in the previous week. The slightly lower reported instruments such as 30-day and 90-day Nigerian Autobonds, Offered Rates (N/A) closed at 8.87% and 8.88% from 8.34% and 8.29% the prior week. This week, rates are expected to remain around current levels with the apex banks’ continuous interbank refinancing operations.

Bond Market

The bond market sustained its bullish sentiment during today’s trading session given the robust system liquidity. Accordingly, the Nigerian bond market (NBFM) and Nigeria’s benchmark 2024 and 2029 bond indices increased by 37.80 points to reach 10.79% and 12.08% from 7.96%, 9.73%, 8.69%, 9.55% and 11.33% respectively. Accordingly, we recorded market rally for the 2024 and 2029 bonds given the robust system liquidity. Furthermore, the bond market will be used to finance projects focused on improving the enabling business environment for the private sector and expanding the digital economy to promote job creation as well as increasing capacity of public/private sector on governance, social and environmental safeguards. The six approved programmes in the 2020 fiscal year include: Immunisation Plus and Malaria Progress by Accelerating Coverage and Transforming Services (IMPACT), Nigeria Rural Access and Agricultural Marketing Project; big data and digital identification; the digital transformation project; Ogun State Economic Transformation Project; Innovation Development and Effectiveness in the Acquisition of Skills Project and the Sustainable Environment and Forests Projects (SIFPES).

Sources: CBN: Financial Market Dealers Association of Nigeria (FMDAQ), and Access Bank Economic Intelligence Group (AEG).

Market Analysis and Outlook: February 21 – February 28, 2020

\[\text{ASI} = 0.999 \times \text{ASI}_{\text{previous}} + 1\]