Global Economy
In the US, trade deficit on goods shrank to $70.64 billion in June 2020 from a revised $76.6 billion in May. As global demand recovers from the coronavirus crisis shock, exports jumped 34.8% year-on-year, fuelled by sales of automobiles, vehicles, capital goods, consumer products and industrial supplies. Imports were up by only 1.4% due to purchases of automotive vehicles, consumer products, capital goods and foods, feeds, & beverages. Elsewhere, Japan’s yen deterioration from foreign currency debt rating outlook was changed to negative from stable by Fitch’s credit rating. The rating agency affirmed the A+ debt grade, citing a sharp economic improvement and domestic economic contraction, as the main trigger behind the revision. Standard & Poor’s credit rating for Japan stands at A+ with stable outlook. Moody’s credit rating for Japan was last set at A1 with stable outlook. Elsewhere, data from the Central Bank of Brazil revealed that Brazil’s current account balance shifted to a $2.26 billion deficit in April 2020 from a $2.66 billion surplus in the corresponding period of the previous year. The goods surplus expanded to $9.09 billion in April this year while the services gap contracted to $1.37 billion from $3.53 billion. Additionally, the primary income balance improved in the period by $1.35 billion from $3.88 billion; and the secondary income surplus climbed to $0.16 billion from $0.05 billion.

Domestic Economy
According to the National Bureau of Statistics, Nigeria generated a total sum of N5 751.74 billion revenue from Value Added Tax (VAT) in H1 2020, up by 8.45% year-on-year when compared to N600.98 billion in H1 2020. Professioanl services brought the highest amount of VAT with N95.92 billion generated and closely followed by mining which generated N31.1 billion in commercial and trading at N31.1 billion while mining generated the least and closely followed by textile and garment Industry and pharmaceutical, soaps and toiletries with N27.58 billion, N49.19 million and N95.36 million respectively. Out of the total amount generated in H1 2020, N355.82 billion was generated as Non-VATable locally while N151.74 billion was generated as Non-Import VAT for foreign. The balance of N51.21 billion was created as Nigeria Customs Service (NCS)-Imposed VAT. In a separate development, the Manufacturing Purchasing Managers Index (PMI) for July 2020 showed the lowest points, indicating contraction in the manufacturing sector for the third consecutive month as reported by the Central Bank of Nigeria. A PMI above 50 represents an expansion when compared with the previous month. A PMI reading under 50 represents a contraction, and a reading at 50 indicates no change. Of the 14 surveyed subsectors, transportation equipment, petroleum products and rubber products reported growth above 50% threshold in the review month while non-metallic mineral products sector reported no change. However, the remaining 12 subsectors reported contraction.

Stock Market
Indicators at the local bourse were resilient for the second consecutive week as increased optimism in the overall macroeconomic outlook and corporate earnings roused investors interest in the stock market. Shares in the pharmaceutical, oil & gas, industrial and consumer goods were majorly responsible for the upward trend of the market. The key indicators: Market Capitalization (all Share Index) and market capitalization closed at 24,693.73 points and 52.18 trillion from 24,477.73 points and 52.47 trillion respectively, the preceding week. The stock market will remain volatile as investors reposition their portfolio ahead of half-year financial scorecards.

Money Market
The money market sustained its high level of liquidity from preceding week closing the week at N379 billion in line with the need to lower rates as short-term rates such as the Open Buy Back (OBB) and Overnight (ON) tend to trade at 6.4% and 2.1% from 1.0% and 2.2%, respectively. Longer tenored rates such as the 90-day Nigerian Interbank Offered Rate (NIBOR) 180 days rate declined to 6.45% from 6.14%. This week, rates are expected to remain stable at these low levels, in the absence of any significant funding activity.

Foreign Exchange Market
The naira depreciated against the greenback across major markets last week. The Nigerian Autonomous Foreign Exchange Rate (NAFEX) and parallel rates fell compared to previous week figures while the official rate remained steady. The paucity of funds witnessed towards the end of the week at the Investors’ and Exporters’ Window, as foreign FX inflow increased by 43.62% week-on-week to $2.54 billion, the parallel market lost N3 to settle at N475/$US from N474/$US. The official rate remained unchanged at N380/$US. Dealers are expected to remain at elevated levels this week due to the impact of $1.37 billion NGN July 2020 Non- Deliverable Forward (NDF) maturity which would spur more demand this week.

Bond Market
The bond market remained bullish last week given the level of liquidity and coupon payment that hit the system. There were occasional mixed sentiments as offers for the long dated securities were observed in the market while demand for the 2026 and 2027 was also recorded. Yields on the 5-, 7-, 10- and 20-year papers dropped to 3.48%, 4.96%, 5.76% and 8.21% from 3.71%, 4.97%, 6.34% and 8.24%, respectively. Consequently, the Access Bank Nigerian Government Bond Index improved by 36.8 points to 4,584.80 points. We expect the bullish sentiment witnessed last week to continue this week given robust system liquidity.

Commodities
The price of crude oil plunged as coronavirus infections continue to accelerate in Africa and Asia and second wave threats emerge in Europe, damping the oil demand outlook. Oil. Bonny light, Nigeria’s benchmark crude dived 2.02% to close at $43.23 per barrel. In contrast, precious metal prices continued their bullish run supported by growing US-China spat and dimming hopes of an economic recovery as the virus showed no signs of slowing. Consequently, gold prices accelerated 5.32% to $1,815.05 to finish at $1,923.49 per ounce from $1,871.65 per ounce. Silver settled at $24.08 per ounce, a 6.55% rise. This week, we anticipate that oil prices may dip further in US crude inventories offset fuel demand concerns. Latest American Petroleum Institute (API) data showed US crude inventories unexpectedly drew down by 6.8 million barrels last week. We expect that the bull will continue to enjoy more demand from investors as they weigh rising coronavirus cases and prospects of more stimulus from the government.

Monthly Macroeconomic Forecast

<table>
<thead>
<tr>
<th>Variables</th>
<th>August</th>
<th>September</th>
<th>October</th>
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<tbody>
<tr>
<td>Exchange Rate</td>
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<td>Inflation Rate</td>
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<tr>
<td>Crude Oil Price</td>
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<td>44</td>
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</tbody>
</table>


* Crude oil (Bonny Light) is as of the previous day.