Stock Market

The US current account deficit contracted by $40.7 billion in May 2023, to $104.2 billion, according to data compiled by the Bureau of Economic Analysis. It was the lowest since Q4 2018, partly contributed to by a drop in imports. The trade deficit, a major component in the balance of payments, was also narrowing. The US government was increasing its spending on infrastructure and education, which could boost domestic demand. However, the tightening of monetary policy by the Federal Reserve was expected to dampen growth. The unemployment rate was at 3.8%, indicating a tight labor market.

Commodity Market

Global Economy

The US current account deficit narrowed to $24.5 billion in April 2023, from $26.7 billion in March, according to data released by the Bureau of Economic Analysis. The trade deficit, a major component of the balance of payments, was also narrowing. The US government was increasing its spending on infrastructure and education, which could boost domestic demand. However, the tightening of monetary policy by the Federal Reserve was expected to dampen growth. The unemployment rate was at 3.8%, indicating a tight labor market.

Money Market

The US Federal Reserve raised interest rates by 50 basis points in May 2023, to 5.0%, as part of its efforts to combat inflation. The central bank’s official statement indicated that it expected to continue raising rates at the next two meetings. The labor market remained strong, with unemployment at 3.8%. However, core inflation remained high, with core PCE (Personal Consumption Expenditures) inflation at 4.3%.

Foreign Exchange Market

The US dollar dropped against the euro and the yen. The dollar index, a measure of the US dollar’s strength against a basket of major currencies, fell to 105.3. The euro gained against the dollar, with the euro/dollar exchange rate at 1.11. The yen weakened against the dollar, with the dollar/yen exchange rate at 125.5.

Bond Market

The US Treasury yield curve steepened, with the 2-year Treasury note yield at 4.75% and the 10-year Treasury yield at 4.0%. The long-end of the curve showed signs of flattening, with the 30-year Treasury yield at 3.6%. The yield curve is a key indicator of economic prospects, with a steepening curve typically seen as a sign of economic expansion and a flattening curve seen as a sign of economic deceleration.

Commodities

Oil prices rose last week amid optimism that global oil demand is recovering despite a rise in new coronavirus infections. Oil prices rose last week amid optimism that global oil demand is recovering despite a rise in new coronavirus infections. Oil prices rose last week amid optimism that global oil demand is recovering despite a rise in new coronavirus infections.

Banking Sector

The Nigerian banking sector is expected to continue to perform well, with strong growth in loans and deposits. The sector is well-capitalized and regulated, with strong provisioning and loan loss coverage ratios. The Nigerian central bank has been supportive, with rate cuts and other measures to stimulate economic activity. The banking sector is expected to benefit from the ongoing recovery in the oil sector and the implementation of infrastructure projects.

Monetary Policy

The Nigerian central bank is expected to keep interest rates unchanged in the short term, given the strong economic recovery and inflation pressures. The focus will be on supporting economic growth and ensuring financial stability. The central bank is expected to continue to monitor inflation closely, with a target of 8%.

Currency and Exchange Rates

The naira strengthened against the US dollar, with the exchange rate at 412.8. The exchange rate has been supported by strong export earnings and foreign direct investment inflows. The central bank has been interventionist, with the naira supported by BOP surplus and FDI inflows. The central bank’s foreign exchange reserves have also been building, with the official reserves at $44.2 billion.

Credit Conditions

Credit conditions are expected to remain supportive, with low interest rates and ample credit availability. The central bank has been lowering policy rates, with the policy rate at 13.5%. The focus will be on supporting economic growth and ensuring financial stability.

Global Markets

Global stock markets were mixed last week, with the S&P 500 gaining 1.8% and the FTSE 100 losing 0.5%. The US dollar strengthened against major currencies, with the dollar index at 107.5. The euro weakened against the dollar, with the euro/dollar exchange rate at 1.12. The yen strengthened against the dollar, with the dollar/yen exchange rate at 124.5. Oil prices rose last week, with Brent crude oil at $84.5 per barrel.