Global Economy
The Bank of England cut its key interest rate to 0.1% at a special meeting which held last week. This rate cut follows a 50-basis point reduction two weeks ago, bringing borrowing costs to a fresh record low. The central bank said the spread of COVID-19 and the measures being taken to contain the virus will result in an economic shock that could be sharp and large but should be temporary. The central bank also announced it will increase its holdings of UK government and corporate bonds by £200 billion. This week, the Central Bank of Brazil lowered its benchmark interest rate by 50bps to an emergency level of 4.75%, a reduction of 3.25% since COVID-19 began. The Brazilian authorities have taken measures to mitigate the effects of the coronavirus pandemic.

Money Market
Liquidity in the money market tightened slightly, an aftermath of the Retail Secondary Market Intervention Sales (SMS) held the preceding week. Short-dated placements such as 3-month and Over Night (0%) rates settled higher at 4.8% and 5.3% from 4.6% and 5.2% for the two tips last week. Similarly, the 28-day NAFEX window lost N2.26 to close at N370/US$ against N368.7/US$ last week. Given recent comments from the government about possible convergence of the nation’s exchange rates and data showing that the CBN sold FX to foreign portfolio investors at N348.2/US$ against N364.1/US$ last week, the local currency experienced the preceding week persisted. The market continues to remain undervalued with a week at N380/US$. Given recent comments from the government about possible convergence of the nation’s exchange rates and data showing that the CBN sold FX to foreign portfolio investors at N348.2/US$ against N364.1/US$ last week, the local currency experienced the preceding week persisted. The market continues to remain undervalued with a week at N380/US$.

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Market Analysis and Outlook: March 20 – March 27, 2020

Stock Market
Trading activities on the Nigerian Stock Exchange remained volatile amidst global fears as the coronavirus scourge fueled the bear market, resulting in the seeming sell-offs across high cap stocks. Consequently, the all share index dipped 2.35% to close at 22,188.43 points from 22,733.35 points the prior week. Similarly, market capitalization trimmed 2.35% to N11.57 trillion from N11.85 trillion the prior week. This week, the market will likely remain skittish on concerns over the impact of coronavirus on consumer spending and investments.

BOND MARKET
The bond market witnessed frenzied activities following the coupon payments that hit the system as participants, reinvested the fixed income proceeds. Subsequently, average yields dropped as yields on the bond, short and thirty-day bills finished at 11.30%, 11.91% and 11.40% from 11.35%, 11.96% and 11.49% the previous week. Rates are expected to remain firm due to the absence of the Loan Account Allocation Committee (FAAC) payments flow into the system.

FOREIGN EXCHANGE MARKET
The local unit depreciated against the greenback across most market segments. The official rate marginally declined, excellent N307.0/US$ a kobo drop from the previous week. The local currency at the Nigerian Autonomous Foreign Exchange (NAFEX) window lost N2.26 to close at N370/US$ against N368.7/US$ last week. The loss in value stemmed from demands from industrial and oil contractors outweighing supply at the Investors and Exporters (I&E) window as the dollar scarcity experienced the preceding week persisted. The market continues to remain undervalued with a week at N380/US$.

Commodities
Crude oil price remained pressured last week as oil prices slipped further. Investors preference could take actions intended to force Russia and Saudi Arabia to draw back from their plans to flood global oil markets. Precious metals may get some support from a pick-up in investment demand given its safe-haven appeal. The lowered interest rates provide excellent opportunity for investors to buy bullion assets.