Global Economy

In the US, the Federal Reserve cut its target rate for its federal funds rate by 50 bps to 1.25-1.50% during an emergency move last week, saying the coronavirus poses evolving risks to economic activity. The Fed reiterated that it is closely monitoring developments and their implications for the economic outlook and will use all tools and act as appropriate to support the economy. The interest on excess reserve rates (IOER) was also cut by 50 bps to 1.10%, following a 5bps rise in the PBoC's medium- term lending rate to 3.15% percent. The decision was in line with market forecasts and investors expect the PBoC to continue to loosen monetary conditions, aiming to support the economy battling with the coronavirus outbreak. In a separate development, the Eurozone inflation rate was reported 1.2% year-on-year in February 2020 from a nine-month low of 1.4% in the previous month according to data from European Statistical Office. The drop in inflation reflected a decline in energy prices, which fell 0.8 percent in February. The price of oil and other commodities have fallen in recent weeks in response to the market closures and disruption to global supply chains caused by the coronavirus outbreak. Core inflation, excluding the more volatile energy, food and tobacco prices, rose from 1.2% from the previous week. Prices of services rose 1.6%, while non-energy industrial goods prices were up only 0.5% per cent. Food, alcohol and tobacco prices rose 2.2%.

Domestic Economy

The Central Bank of China (PBoC) lowered its benchmark 1-year Loan Prime Rate (LPR) by 10 bps to 4.05%, in an attempt to inject more liquidity into the financial market and lower financing costs for companies. The 5-y LPR, generally used for new mortgage loans, was cut by 5 bps to 4.75%. The LPRs follow the PBoC's medium- term lending rate to 3.15% percent. The decision was in line with market forecasts and investors expect the PBoC to continue to loosen monetary conditions, aiming to support the economy battling with the coronavirus outbreak. In a separate development, the Chinese authorities cut the interest on excess reserves rate (IOER) to 0.35%, lowered their benchmark one-year LPR to 4.05% from 4.15% and lowered their medium-term lending rate by 10 bps. At the same time, the authorities also cut the interest on excess reserves rate (IOER) to 0.35%, lowered their benchmark one-year LPR to 4.05% from 4.15% and lowered their medium-term lending rate by 10 bps. At the same time, the authorities also cut the interest on excess reserves rate (IOER) to 0.35%, lowered their benchmark one-year LPR to 4.05% from 4.15% and lowered their medium-term lending rate by 10 bps.

Inflation Rate (%)

The Eurozone inflation rate was reported 1.2% year-on-year in February 2020 from a nine-month low of 1.4% in the previous month according to data from European Statistical Office. The drop in inflation reflected a decline in energy prices, which fell 0.8 percent in February. The price of oil and other commodities have fallen in recent weeks in response to the market closures and disruption to global supply chains caused by the coronavirus outbreak. Core inflation, excluding the more volatile energy, food and tobacco prices, rose from 1.2% from the previous week. Prices of services rose 1.6%, while non-energy industrial goods prices were up only 0.5% per cent. Food, alcohol and tobacco prices rose 2.2%. The Eurozone inflation rate was reported 1.2% year-on-year in February 2020 from a nine-month low of 1.4% in the previous month according to data from European Statistical Office. The drop in inflation reflected a decline in energy prices, which fell 0.8 percent in February. The price of oil and other commodities have fallen in recent weeks in response to the market closures and disruption to global supply chains caused by the coronavirus outbreak. Core inflation, excluding the more volatile energy, food and tobacco prices, rose from 1.2% from the previous week. Prices of services rose 1.6%, while non-energy industrial goods prices were up only 0.5% per cent. Food, alcohol and tobacco prices rose 2.2%.

Bond Market

The bond market was bearish due to selling pressure from market participants. As a result, there was a sell-off for most securities on display particularly for the 2024, 2027 and 2028 security yields. Yields on the five-, seven-, ten- and thirty-year debt paper finished at 7.41%, 10.23%, 9.99%, 10.56% and 12.56% from 6.7%, 6.99%, 8.73%, 10.62% and 12.6% respectively. The Access Bond Index decreased by 84.44 points to settle at 3,843.12 points from 3,838.93 points the previous week. The market performed at close of business this week, the naira to hover around prevailing levels at the parallel and interbank window. The weekly trend was steady at the parallel and interbank window as the market had a net inflow of $102 billion. The foreign exchange market was skewed to the dollar and other major currencies with a net inflow of $38 billion at end-2019 and $36.5 billion at the previous week. This week, we expect the trend to remain at double digit numbers as foreign investors repatriate FX to Central Bank of Nigeria.

In a separate development, the Nigerian Stock Exchange (NSE) published its monthly Domestic & Foreign Portfolio investment report for the period ended January 2020. The report revealed that the total foreign transactions executed by domestic investors outperformed foreign transactions executed by approximately 60%. Total domestic transactions jumped by 154.86% to N65.14 billion in January 2020, from N24.3 billion in January 2019. Similarly, total foreign transactions increased by 11.55% to N70.12 billion from N63.14 billion during the same period. Total retail transactions, which is split into retail and institutional investors, revealed that institutional investors outperformed retail investors by 2% during the period. Total retail transactions climbed by 233.75% to N81.67 billion during the same period. Total institutional investors outperformed retail and institutional investors, revealed that domestic transactions increased by 107.02% to N83.47 billion in January 2020. The report revealed that the total transactions executed by domestic investors increased by 84.03% to N25.46 billion from N12.7 million recorded in December 2019. The total value of transactions executed by domestic investors outperformed foreign transactions executed by foreign investors by approximately 60%. Total domestic transactions jumped by 154.86% to N65.14 billion in January 2020 from N24.3 billion in January 2019. Similarly, total foreign transactions increased by 11.55% to N70.12 billion from N63.14 billion during the same period. Total retail transactions, which is split into retail and institutional investors, revealed that institutional investors outperformed retail investors by 2% during the period. Total retail transactions climbed by 233.75% to N81.67 billion during the same period. Total institutional investors outperformed retail and institutional investors, revealed that domestic transactions increased by 107.02% to N83.47 billion in January 2020. The report revealed that the total transactions executed by domestic investors increased by 84.03% to N25.46 billion from N12.7 million recorded in December 2019. The total value of transactions executed by domestic investors outperformed foreign transactions executed by foreign investors by approximately 60%. Total domestic transactions jumped by 154.86% to N65.14 billion in January 2020 from N24.3 billion in January 2019. Similarly, total foreign transactions increased by 11.55% to N70.12 billion from N63.14 billion during the same period. Total retail transactions, which is split into retail and institutional investors, revealed that institutional investors outperformed retail investors by 2% during the period. Total retail transactions climbed by 233.75% to N81.67 billion during the same period. Total institutional investors outperformed retail and institutional investors, revealed that domestic transactions increased by 107.02% to N83.47 billion in January 2020. The report revealed that the total transactions executed by domestic investors increased by 84.03% to N25.46 billion from N12.7 million recorded in December 2019.