Global

In the United States of America, consumer credit fell to 3.4% year-on-year in March 2020 from 3.1% in February 2020. Loans declined by 27.0% to $210 billion in March from $301 billion in February. The Federal Reserve’s move to increase interest rates during the first quarter of 2020 had a significant impact on the consumer credit market. The increase in short-term interest rates, especially on credit cards, reduced consumer spending and led to a decrease in credit card balances. The decline in consumer spending was also due to the closure of non-essential businesses and travel restrictions. The total amount of consumer credit fell to $3.5 trillion in March from $3.7 trillion in February. The decrease in consumer credit is a sign of the economic slowdown caused by the COVID-19 pandemic.

Foreign Exchange Market

The foreign exchange market mostly remained stable last week as the coronavirus outbreak continued to dominate the market. The US dollar remained strong against most major currencies, while the euro and the Japanese yen remained weaker. The US dollar’s strength was due to the uncertainty surrounding the global economy and the potential for further economic disruptions caused by the coronavirus. The euro and the yen were weaker due to the impact of the pandemic on the European and Japanese economies.

Money Market

Last week, the money market experienced slight liquidity issues due to the retail SMIS auction and CRR debt from the system. Short term rates such as the Open Buy Back (OBB) and Overnight (ON) fell to 7.42% and 28.33% from 2.25% and 2.75% the previous week. Commercial Banks (CBs) opened longer term buckets such as the 30- and 90-day Nigerian Interbank Offered Rate (NIBOR) closer at 8.01% and 6.60% from 9.52% and 10.09%, respectively. We anticipate relatively stable rates this week, with a lack of excess and normalization of the economy.

Bond Market

Activity at the bond market slowed across most yield buckets as prices for select maturities declined flatly mainly by local investors. Subsequently, average yields on the seven-, ten- and thirty-year debt paper witnessed a 1.13%, 0.55% and 12.67% from 8.01%, 9.50% and 12.45%, respectively. The Access Bank Government Bond Index gained 1.56 points to settle at 3,928.79 points last week, as market anticipates bearish sentiments this week as demand dwindles and market participants take position in the low market which may give way for saturated demand.

Commodities

As part of the measures put in place to address the impact of the COVID-19 pandemic on the Nigerian economy, President Muhammadu Buhari has approved the waiver of import duty on 25 commodities. The 25 commodities include food staples, medical supplies, and raw materials. This is aimed at boosting health care infrastructure in the country. In a separate development, the Nigerian government extended the ban imposed on local production of sugar to last for six months. This extension was in response to an avalanche of demand for the spread of coronavirus as expected by experts.

Stock Market

The Nigerian stock exchange market witnessed an extended bullish sentiment last week courtesy of trading on high cap stocks. The all share index extended its 26-month rally that is expected to settle at 24,045.40 points from 23,021.01 points the preceding week. Simultaneous market capitalization witnessed a 4.5% to N12.53 trillion from N11.99 trillion the prior week. This week, the equities market is expected to slow down from excess demand and profit taking activities by market participants.