Market Analysis and Outlook: October 19, 2020 – October 26, 2020

Global Economy

In the US, the Office of National Statistics revealed that gross domestic product (GDP) grew at an annualized rate of 33.1% in the third quarter of 2020, returning from five consecutive quarters of contraction. The services sector grew by 7.1%, production by 9.3% and construction by 16.6%, as lockdown measures continued to ease. On a monthly basis, the economy grew by 1.1%, the fourth consecutive monthly increase following a record fall of 23.4% in April. Output however remained 2% below levels in February before the first lockdown was introduced in March.

In September, the Reserve Bank of India maintained its benchmark repo rate at 4% during its October meeting. Increasingly, longer tenored rates such as the 30- and 60-day Nigerian Interbank Offered Rate (NIBOR) settled at 1.9% and 2.33% from 2.62% and 2.65% respectively.

The domestic economy continued to pull out of its record second-quarter downturn as the proposed fiscal document, ‘Budget of Economic Recovery and Resilience’, was released. Revenue projections are indicative of a significant decline in short-term leaders such as the Open Buy Back (OBB) and Overnight (O/N) to 4% and 4.88% from 1% and 1.58% respectively.

The retail market remains wary while they reposition their market portfolio in light of current macroeconomic realities.

New Market

Cost of borrowingched up last week following Carfax Reserves (CRR) debit of N3.10 million and the CBN also conducted the weekly Retail Secondary Market Intervention Sales (SMIS) auction at the end of the week. These outflows do not participate in any significant funding activity.

Economy

The local unit appreciated against the dollars across major market last week. At the Nigerian Autonomous Foreign Exchange (NAFEX) parallel window, the rates settled at N366.98/US$ and N367.15/US$. At the Central Bank intervention, the Naira appreciated against the foreign exchange market through its Retail SMS Auction.

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