**Market Analysis and Outlook: September 4 – September 10, 2020**

**Global Economy**

In the US, the trade deficit surged to $63.1 billion in July 2020, from a downwardly revised $59.6 billion in June, the highest trade gap since July 2008. This trade deficit reflected an increase in the goods deficit of $9.3 billion to $80.1 billion and a decrease in the services surplus of $0.8 billion to $17.4 billion, the lowest since 2012 according to the Bureau of Economic Analysis (BEA). Exports and imports increased in July but remained below pre-pandemic levels, reflecting the ongoing impact of COVID-19, as many businesses continued to operate at limited capacity or ceased operations completely, and the movement of travelers across borders remained restricted. Exports went up 6.1% to $158.1 billion, boosted by sales of medical equipment and diamonds. Imports surged 10.3% to $231.7 billion, due to a surge in imports of electronic parts, precious metals, oil and other industrial goods. In contrast, government consumption jumped 15.4% and business equipment imports increased 6.5% in July as government implemented relief measures to support consumers and industries. However, the official market rate was unchanged at N389/$ last week. Panic selling reigned throughout the week as participants (majority in the parallel market) were dump- ing the dollar in anticipation of market developments. Consequently, the All Share Index (ASI) and market capitalisation in N262 billion. This inflow led to a decline in short-term market rates such as the Open Market Exchange Rate (OBB) and Overnight (O/N) to 1.36% and 2.25%, respectively. Longer tenured rates such as the 5-day Nigerian Interbank, Offshore Rate (NIBOR) also dipped to 2.64% from 2.94% to 2.76%. Rates are expected to remain in single digit levels given the current liquidity in the market.

**Bonds**

The Bond market was majority quiet for the week ended September 4th. Nonetheless, the market recorded some attractive offers in the mid to long-term maturities, with few very consummated trades. Yields on the 5-, 10- and 15-year maturity remained unchanged, while the 3-year cut-off yield slightly fell to 11.54%.

**Commodities**

The price of crude oil fell amid concerns over falling oil demand and a reduction in recovery. Recent data from the EIA showed US gasoline demand fell to 8.78 million barrels per day last week from 9.16 million bpd a week earlier. US data also showed private employers hired fewer workers than expected for the second successive month in August, raising fears that economic recovery was lagging. Brent light, Nigeria’s benchmark crude dipped 4.87% to close at $42 per barrel. In the same vein, precious metal prices were bearish amidst a stronger dollar, hopes of additional US stimulus, rising economic news about a potential COVID-19 vaccine. Consequently, gold prices tapered 0.71% or $13.85 per ounce. Silver also declined 1.4% or $0.59 per ounce. Silver at $24.00 per ounce, a 2.18% drop from the preceding week. This week, we anticipate that oil prices might trend higher as US refineries saw a reduction in maintenance closures over the coming months, which would impact supply. Recent retreat in the value of the US dollar and high news about a potential COVID-19 vaccine.

**Money Market**

The money market was fluid with following inflows of the dollars last week. Panic selling reinforced throughout the week as participants (majority in the parallel market) were dumping the dollar in anticipation of market developments. Consequently, the All Share Index (ASI) and market capitalisation in N262 billion. This inflow led to a decline in short-term market rates such as the Open Market Exchange Rate (OBB) and Overnight (O/N) to 1.36% and 2.25%, respectively. Longer tenured rates such as the 5-day Nigerian Interbank, Offshore Rate (NIBOR) also dipped to 2.64% from 2.94% to 2.76%. Rates are expected to remain in single digit levels given the current liquidity in the market.

**Foreign Exchange Market**

The naira appreciated against the greenback across most FX market segments following the inflow of the dollars last week. Panic selling reinforced throughout the week as participants (majority in the parallel market) were dumping the dollar in anticipation of market developments. Consequently, the All Share Index (ASI) and market capitalisation in N262 billion. This inflow led to a decline in short-term market rates such as the Open Market Exchange Rate (OBB) and Overnight (O/N) to 1.36% and 2.25%, respectively. Longer tenured rates such as the 5-day Nigerian Interbank, Offshore Rate (NIBOR) also dipped to 2.64% from 2.94% to 2.76%. Rates are expected to remain in single digit levels given the current liquidity in the market.

**NIGERIAN INTERBANK TREASURY BILLS TRUE YIELDS**

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**Sources**

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