Market Analysis and Outlook: February 12 – February 19, 2021

**Global Economy**

The UK gross domestic product contracted by 7.8% year-on-year in Q4 2020, following a revised 6.7% contraction in the previous three-period month. Household consumption dropped by 6.6% (vs 6.0% in Q3 2020), 3.5% (vs -0.7% in Q3). At the same time, net exports contributed negatively to the GDP as exports slumped 23.5% and imports declined a further 8.9%. Public investment, however, grew 0.5%, following three consecutive periods of contraction. Over the year 2020 as a whole, GDP contracted by 0.9%, the largest annual fall on record according to the Office for National Statistics (ONS). In a separate development, the inflation rate in the UK was already at 1.4% in January 2021, the same as in December as reported by the U.S. Bureau of Labor Statistics. Main向上 pressure came from food prices, used cars and trucks, utility gas service and new vehicles. Meanwhile, apparel prices fell and energy cost went down mainly due to gas prices. On monthly basis, consumer prices went up 0.5%, driven by a 7.1% rise in gas costs. The indexes for electricity and natural gas declined, but the index for food rose 1.1%.

**Domestic Economy**

The National Bureau of Statistics recently released its latest report on the Nigerian Capital Importation for Q4 2020. All of the data were compiled using information on banking transactions from all registered financial institutions in Nigeria. The total value of capital imported in Q4 2020 was estimated at $1.1 billion, representing decreases of 21% quarter-on-quarter and 71% year-on-year for the full year. For 2020, total capital imported into Nigeria stood at $9.7 billion. In 2020 compared with $12.7 billion recorded in 2019, the data are gross, and not adjusted for capital exports. The category named other international investments includes financial assets such as short-term deposits. The losses from all traded instruments such as short-term deposits, commercial paper, and other short-term investments declined in 2020, but foreign exchange reserves rose by 24%.

- **GDP** increased by 2.48% compared to Q4 2019. GDP for Q4 2020 is 1.72% higher than Q3 2020.
- **Inflation rate** decreased by 0.86 percentage points last week. We expect the bearish sentiments to stabilize around its current levels at CBN continues its strategic interventions in the interbank foreign exchange market.

**Commodities Market**

- **Energy:** Crude Oil (Brent) settled at $63.76 per barrel, the highest since the pandemic started. In a similar vein, precious metal prices jumped as the dollar eased lower following weaker than expected inflation data for the US. Consequently, gold stocks rose 0.05% or $1.42 per ounce from $1,805.48 per ounce. Silver settled at $27.05 per ounce, a 1.62% rise from $26.50 per ounce. The base metal markets' prices were limited offers on the short tenored maturities mostly for the five-, seven-, ten-, fifteen-, twenty-, twenty-five-, and thirty-year debt papers finished at 7.35%, 8.15%, 7.75%, 10.45%, 10.54%, 10.41% and 10.36% from 2.86%, 2.64%, 2.64%, 2.64%, 10.53%, 10.29% and 10.15% the prior week.

**Access Bank Rateswatch**

Intra-bank lending rates at the money market declined last week following Open Market Operations (OMO) maturity of $23.7 billion and Nigerian Treasury Bills (NTB) of $29 billion. Short-dated placements such as Open Buy Back (OBB) and Over Night (O/N) rates tapered to 4.5% and 4.75% from 15.1% and 12.0% the previous week. The slightly longer dated instruments such as 30-day and 90-day Nigerian Interbank Offered Rate (NIBOR) settled at 0.05% and 2.41% from 1.26% and 1.03% the prior week. This week, rates are expected to move into double digit territory due to strategic interventions in the interbank foreign exchange market.

**Bond Market**

The NGF bond market was muted an attention shifted to the Week's Open Market Operations (OMO) Auction. There were limited offers on the short tenored maturities mostly for the five-, seven-, ten-, fifteen-, twenty-, twenty-five-, and thirty-year debt papers finished at 7.35%, 8.15%, 7.75%, 10.45%, 10.54%, 10.41% and 10.36% from 2.86%, 2.64%, 2.64%, 2.64%, 10.53%, 10.29% and 10.15% the prior week. We expect the bearish sentiments to stabilize around its current levels at CBN continues its strategic interventions in the interbank foreign exchange market.

**Currency**

- Oil prices surged upward for the second consecutive week circuit amid hopes of efficient speed of vaccine production and cuts from the major producers. In the case of Nigeria, the government's position on cryptocurrencies is not an outlier as many countries, central banks, international financial institutions, and distinguished investors and economists have also warned against its use. He said China, Canada, Taiwan, Indonesia, Algeria, Egypt, Morocco, Brazil, Kyrgyzstan, Ecuador, Saudi Arabia, Jordan, Iran, Bangladesh, Nepal and others have all placed certain levels of restrictions on financial institutions facilitating cryptocurrency transactions. CBN said in a statement, cryptocurrencies are completely banned and exchanges closed outside.

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**Financial Insights**

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