Market Outlook Analysis and Outlook: January 22 – January 29, 2021

**General Economy**

The U.S. Department of Labour reported that the number of Americans filing for unemployment benefits dropped to 560,000 in the week ended January 16, from the previous week's figure 593,000. However, claims remain high compared to pre-pandemic levels and will likely remain high for some time as the number of COVID-19 infections continue to rise across the nation, prompting many US states to impose restrictions on business operations in response to the increase. On the other hand, the number of claims for unemployment benefits adjusted by the number of states (NAD), currently at 4.11 million in the previous week. Also, about 443,400 people applied for help from the Pandemic Unemployment Assistance scheme, which covers workers that do not qualify for initial claims, compared with 408,000 in the previous period. In a separate development, the Bank of Japan left short-term interest rate unchanged at -0.1% and maintained the target for the 10-year Japanese government bond yield at around 0%. Consequently, the All-Share Index (AS I) and market index continued to take profits from gains recorded two weeks ago. The Policymakers said that recent indicators suggest improvements and that economic activity is likely to remain lower than usual. Committee members noted that inflation readings were higher than expected, as the headline December jumped to 4.6% from 6.1% in the previous month, rising for the seventh. Still, bank warned that unemployment remains unusually high and that it will change to a balance-of-risks approach rather than forward guidance. The Committee also noted that the removal of the forward guidance does not mean it will stop raising interest rates, since, at this moment, uncertainties regarding the evolution of growth stand as extraordinarily strong monetary stimuli.

**Commodity Market**

The Nigerian Customs Service released mandatory guidelines that would guide and monitor the smooth implementation of the African Continental Free Trade Agreement (AfCFTA) across the country. It stated that the service was auditing directives on the list of tariffs for the implementation of the continental agreement. The revenue generating body said that the public should expect to see the implementation of the AfCFTA. Nigeria has implemented the AfCFTA's trade liberalisation measures. The AfCFTA is expected to make it easier to do business across the continent. It will lower customs duties on goods imported from African countries, allowing Nigerian employers and consumers to save money on products. The AfCFTA will not only boost trade and investment in Nigeria, but it will also threaten the survival of local industries. The AfCFTA includes provisions that will help to mitigate the shocks of the COVID-19 pandemic. For example, it allows for the temporary suspension of duties on imported goods for a limited period.

**Domestic Economy**

The bearish behaviour witnessed in the third quarter continued in the January. The DMO sold a total of N360 billion to the 15, 25 and 20-year maturities. The rates closed significantly lower than the preceding auction at 7.98%, 8.35% N354bps, 8.96% N101bps on the 2027, 2035 and 2045 bonds, respectively. Yields on the ten-, fifteen-, and twenty-year bonds have increased from 6.17%, 6.82%, 7.09% and 8.07% on December 22, 2020, to 7.98%, 8.63% and 8.01% on January 29, 2021. The Access Bank Oil Index (OIL) continued to move higher, ending the week at 2045 bonds, respectively.

**Domestic Money Market**

The Nigerian Primary Market Co-ordination Committee (PMA) held its weekly auction, which covered treasury bills, certificates of deposit, and treasury bonds. The PMA auction is a vital component of the government's fiscal policy, as it helps to manage the country's debt portfolio and to ensure that the government meets its financial obligations. The PMA auction is held on a weekly basis and is conducted electronically. The auction is open to all financial institutions and investors who meet the eligibility criteria. The auction operates on a competitive basis, where the rate at which bills are purchased reflects the demand and supply conditions in the market. This week, the PMA auction witnessed increased demand for treasury bills, certificates of deposit, and treasury bonds. The auction results showed that the demand for treasury bills, certificates of deposit, and treasury bonds was strong, with a significant increase in the amount of bills purchased compared to the previous week. The strong demand for these instruments suggests that market participants are looking for low-risk investments in the current economic environment. The PMA auction is a vital tool for the government to manage its debt portfolio and to ensure that it meets its financial obligations.