**Market Analysis and Outlook: January 29 – February 5, 2021**

**Global Economy**

The U.S. Bureau of Economic Analysis revealed that the economy expanded an annualized 4.1% in Q4 2020, slowing from record 33.4% expansion in Q2 as the continued rise in COVID-19 cases and restrictions on activity moderated consumer spending. Both business and housing investment remained robust and exports grew at a double-digit pace while personal consumption tapered and public expenditure slowed down. For full year 2020, the GDP contracted 3.5%, following a 2.2% growth in 2019. This was the worst performance since 1946 but slightly less than forecasts of a 5.6% drop. The outlook for 2021 is brighter than it was some months ago as vaccination rollout began although at a slower than expected pace and as the new Biden administration unveiled a $1.9 trillion stimulus plan. In a separate development, Japan’s unemployment rate remained unchanged at 2.9% in December 2020, the lowest since July according to the Ministry of Internal Affairs and Communication. The number of unemployed notched up 6,000 from the previous month to 2.04 million in December. The non-seasonally adjusted labor force participation rate edged down to 62.5% in November 2020. Meanwhile, the jobs-to-applied ratio remained anchored at 3.06, the highest in five months.

**Domestic Economy**

The National Planning Commission in a recently released report titled Sectoral value-added tax revealed that revenue from the Value-Added Tax (VAT) grew by 29.3% to N1.51 trillion in 2020 compared to N1.18 trillion recorded in 2019 as professional services topped with N162.3 billion. Despite the economic downturn experienced by the country due to the lockdown measures put in place by the government in response to the Covid-19 pandemic, VAT revenue increased significantly in the year. In a separate development, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN), in its first meeting of 2021, voted unanimously to retain the Monetary Policy Rate (MPR) at 11.5%. Other parameters such as Cash Reserve Ratio (CRR) at 20%, policy rate at 10%, and the asymmetric corridor (+100/-70 basis points around the MPR) remained unchanged. Stock Market Activities at the local bourse picked up last week as the benchmark interest rate was retained at 11.5%. Keeping investors option major skewed towards stock due to lower yield from other investment classes. The uptrend was impeded by gains recorded in large and medium capitalised stocks in sectors such as financial services, oil & gas, telecommunications and consumer goods. Consequently, the All-Share Index (ASI) and market capitalization jumped by 3.54% to 42,412.92 points and 22.19 trillion from 41,001.99 points and 21.45 trillion, respectively the preceding week. This week, the market mood might remain upbeat due to continued absence of other viable investment outlets.

**Money Market**

Rates at the money market rose last week at the CBN conducted Open Market Operations (OMO) auctions which kept rates at an elevated level. Short-dated placements such as Open Buy Back (OBB) and Overnight (ON) rates remained largely unchanged at 10.5% and 11.1% from 10% and 10.9% previously. The slightly longer dated instruments such as 30-day and 90-day Nigerian Interbank Offered Rate (NIBOR) climbed to 1.38% and 1.57% from 0.46% and 0.66%, respectively. The short and long end of the interest rate curve are expected to remain at double digit levels due to retail Secondary Market Intervention Sales (SMIS) holding this week.

**Foreign Exchange Market**

The local unit set new directionings against the dollar last week. The Nigerian Autonomous Foreign Exchange (NAFEX) appreciated while the parallel market rate depreciated. The official rate was unchanged from prior week figure. Naira at the Nigerian Autonomous Foreign Exchange (NAFEX) window gained 34 kobo to close at 394.65/US$, while the parallel market lost 3 to settle at 480/US$. However, the official rate remained flat week-on-week at 379/US$. We expect FX rates to remain around current levels this week given the Central Bank’s continued intervention in the forex market.

**Bond Market**

The Federal Government of Nigeria Bond market continued its benchmark run last week. Activities were skewed towards the medium to long term tenors with trades executed near the 10% levels. Yields on the five-, seven-, ten-, fifteen-, twenty-, twenty-five- and thirty-year debt papers finished at 2.05%, 2.67%, 4.55%, 10.15%, 4.95%, 9.00% and 10.53% from 1.74%, 3.51%, 5.17%, 8.95%, 8.52%, 9.02% and 8.97%. The Access Bank Government Bond Index lost 0.17 points to settle at 4,046.43 points last week. We expect a similar trend this week with a bit of demand on select maturities at these elevated levels.

** Commodities**

Crude oil prices tapered last week amid fears over prolonged weaknesses in global fuel demand due to the ongoing COVID-19 pandemic. The US has detected its first two cases in South Carolina of the virus variant originating in South Africa, while the Pentagon is evaluating a request from the US Federal Emergency Management Agency to provide help in administering virus vaccines. Barry Brook, light, Nigeria’s benchmark crude declined slightly declines 0.04% to close at $55.75 per barrel. In contrast, precious metal prices ascended due to persistent concerns about surging virus cases and potential disruption to vaccine rollouts, consequently, gold prices climbed by 0.3% to $1,862.19 per ounce from $1,856.51 per ounce. Silver settled at $27.23 per ounce, a 7.9% drop from previous week. This week, gold prices might decline as worries over fuel demand due to travel restrictions in many places re-emerge, Chinese authorities have ordered citizens to avoid travel during the Lunar New Year holidays which starts in mid-February whilst the UK clamped down on travels. Safe-haven assets are expected to remain attractive given investors skittishness of the pace of recovery in economic conditions across economies.

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**Access Bank Rateswatch**

**Monthly Macroeconomic Forecast**

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