In the UK, annual inflation rate inch-ed up to 5.5% in January 2022, the highest reading since March 1992, from 5.4% in December according to Office for National Statistics. The latest report showed that higher prices for energy and services made up the largest contributions (7.1% vs 6.9%), mainly gas (28.3% vs 28.1%) and electricity (19.2% vs 18.8%); followed by food (4.3% vs 4.2%); and clothing and footwear (4.2%) and furniture and household equipment (8.4% vs 7.3%). On a monthly basis, consumer prices fell 0.1%, the first decline in a year and compared to forecasts of a 0.2% drop. The Ministry of Finance, Japan revealed that Japan’s trade deficit expanded to JPY 2.19 trillion in January 2022 from JPY 327.2 billion in the same month a year earlier. This was the sixth straight month of trade shortfall and the largest figure since January 2014, with imports jumping 39.6% to JPY 8.5 trillion year-on-year, a fresh high amid strong domestic demand and soaring commodity prices. Meanwhile, exports increased a softer 0.6% to JPY 6.3 trillion.

Domestic Economy

Data from the National Bureau of Statistics revealed that Nigeria’s GDP advanced by 1.98% year-on-year in Q4 2021, the fifth consecutive quarter of economic expansion, amid the ongoing recovery from the pandemic crisis which hit hard the country’s oil sector. The expansion continues to be driven by the non-oil sector (4.73%), with main positive contributions from agriculture (3.38%), trade (5.34%), information and communication (5.03%) and financial services (24.14%). On the other hand, the oil sector shrank 0.86%, reflecting lower oil output as the average daily crude oil production stood at 1.50 million barrels per day, down from 1.57 mbpd in Q3 and 1.56 mbpd a year ago. Despite a recovery in oil prices, Nigeria has struggled to meet its production targets due to operational challenges and insecurity coming from pipeline vandalism. On a quarterly basis, the GDP increased 6.92%, following an 11.07% jump in the third quarter. For full year 2021, Nigeria grew by 3.4%, the fastest expansion since 2013, but better than central bank’s estimate of 3%. In a separate development, Nigeria’s annual inflation rate was recorded at 15.6% in January 2022, little changed from 15.63% in December 2021 according to the National Bureau of Statistics. There was a slight deceleration in prices of major component food (17.13% vs 17.31% in December). Meanwhile, inflation was higher for almost all food categories, primarily clothing & footwear (15.4% vs 15.1%); transport (15.1% vs 15%); furnishings (14.6% vs 14.5%); miscellaneous goods & services (14.4% vs 14.1%) and alcoholic beverages & tobacco (14.1% vs 13.7%). The annual core inflation rate, which excludes the prices of agricultural produce, was flat at 13.8% in January.

Money Market

The direction of money market rates trended upwards for the week ended February 18 2022, due to outflows from the bi-weekly retail

Secondary Market Intervention Sales (SMIS) auction as well as the bond auction debt. These outflows led short-dated placements such as Open Market Operations (OMO) and Overnight (ON) rates to surge to 13% and 14% from 3.33% and 4% prior week. In the same vein, slightly longer dated instruments like the 30-day Nigerian Interbank Offered Rate (NIBOR) increased as it closed 0.63% from 9.58%. We expect rates to decline this week following expected Open Market Operations (OMO) maturity.

Global Economy

Crude oil prices declined slightly as the prospect of Iranian oil returning to the market outweighed fears of possible supply disruptions from a Russia-Ukraine conflict. Iran watchers opine that a deal to revive the 2015 Iran nuclear deal is taking shape, with a draft accord outlining a sequence of steps that would eventually lead to granting waivers on oil sanctions, and bring about 1 million barrels a day of oil back to the market. Bonny Light, Nigeria’s benchmark crude dipped by 0.3% to the close at the $100.69/barrel from $100.99/barrel posted in the preceding week. In other news, price of precious metals sustained their bullish momentum as investors worried about escalating geopolitical tensions involving the West, Russia, and Ukraine. NATO said it had not seen Russia pulling back troops from Ukraine’s borders, while Russian news reported mortars fired in eastern Ukraine. Gold prices rose by 3.44% or $62.01 to settle at $1,826.96 per ounce. Also, silver rose by 3.57% or $0.82 at $23.77 per ounce. This week, it is expected that oil prices will hold in the $90 to $100 a barrel range.

Market Analysis and Outlook: February 11, - February 18, 2022

The market remained liquid as demand continued to outweigh supply at the Investors and Exporters’ window. Nevertheless, the naira at the Nigerian Autonomous Foreign Exchange (NAFEX) window gained 83 kobo to close the day at 415.96. The relative stability of the local currency continues to be supported by the apex bank in its push to keep the currency exchange rate stable. This week, we envisage the naira remaining at prevailing levels.

Domestic Economy

Crude oil prices declined slightly as the prospect of Iranian oil return to the market outweighed fears of possible supply disruptions from a Russia-Ukraine conflict. Iran watchers opine that a deal to revive the 2015 Iran nuclear deal is taking shape, with a draft accord outlining a sequence of steps that would eventually lead to granting waivers on oil sanctions, and bringing about 1 million barrels a day of oil back to the market. However, Nigeria’s benchmark crude dipped by 0.3% to close at the $100.69/barrel from $100.99/barrel posted in the preceding week. In other news, price of precious metals sustained their bullish momentum as investors worried about escalating geopolitical tensions involving the West, Russia, and Ukraine. NATO said it had not seen Russia pulling back troops from Ukraine’s borders, while Russian news reported mortars fired in eastern Ukraine. Gold prices rose by 3.44% or $62.01 to settle at $1,826.96 per ounce. Also, silver rose by 3.57% or $0.82 at $23.77 per ounce. This week, it is expected that oil prices will hold in the $90 to $100 a barrel range.

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