Global Economy

Fitch Ratings has changed Japan’s sovereign credit rating outlook to stable from negative and affirmed the debt grade at ‘A’ last week, from 9.9% to 9.8% on the back of growing inflation.

The agency mentioned the confidence in the stabilisation of the country’s government debt ratio over the medium term, as uncertainty over the impact of the Covid-19 may drift higher due to anticipated re-pandemic on the macroeconomic and fiscal outlook is gradually waning. Standard & Poor’s credit rating for Japan stands at A+ with stable outlook. Moody’s credit rating for Japan was last set at A1 with stable outlook. Elsewhere, the South African Reserve Bank raised its monetary policy rate by another 25 basis point (bps) to 4.25% at its March 2022 meeting. This is the third successive hike due to increased inflation risks arising from the war in Ukraine. Policymakers said that the overheating risks to the medium-term growth outlook are assessed to be balanced, while the risks to the inflation outlook are assessed to the upside. Headline inflation forecast has been revised higher to 5.8% in 2022 (from 4.9% in January), primarily due to the increased food and fuel prices; and to 4.6% in 2023 (from 4.5%). Meanwhile, the Gross Domestic Product (GDP) growth projections were raised to 2% in 2022 from an earlier estimate of 1% and to 1.9% in 2023 (vs 1.8% in January).

Domestic Economy

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria has voted to hold all monetary parameters constant, keeping the benchmark interest rate at 11.5% despite growing inflationary pressure in the country. This was disclosed by the Governor of the CBN, Godwin Emefiele, while reading the 10.03% to close the week at $119.85/barrel communique of the second Monetary Policy Committee meeting of the year.

The minutes showed a decrease of 0.7% from January figure. Consequently, short-dated placements such as 30-day NIBOR also closed lower at 7.53% the prior week. This week, rates were responsible for the downtrend seen in inflationary pressures. The MPC based on a majority, voted to hold the benchmark rate constant, as it believes a move to tighter rates could impede growth. The benchmark rate is currently placed at 11.5%.

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Energy

Crude Oil (Bonny Light) is as at the previous day. This week, we envisage that the trends will remain unchanged.

Commodities

Crude oil prices rebounded last week after Russian President Vladimir Putin called for the resumption of production in the country’s biggest oil field. The move came amid concerns about global energy supplies following Russia’s invasion of Ukraine.

Stock Market

The bears continued to ravage the Nigerian stock market last week. This was mainly caused by the sustained profit-taking across the sectors of the stock exchange. Stocks in the financial services, agriculture, real estate, pharmaceutical and consumer goods sectors were responsible for the downtrend seen in the market. Consequently, the All Share Index dipped losing 0.67% to close at 46,964.23 points the prior week. Similarly, market capitalisation dropped by 0.67% or N17 billion to settle at N25.31 trillion. We expect cautious trading to continue pending any significant changes in the economic conditions.

Money Market

Lending rates declined last week due to Open Market Operations (OMO) maturity of 45.8 billion and the FAAC disbursment of 533.9 billion, which boosted system liquidity. Consequently, short-dated placements such as Open Repo Rates (ORR) and Over Night (O/N) rates declined to 5.67% and 6.17% respectively, compared to 7.54% and 7.53% the prior week. Longer dated placements such as 30-day NIBOR also closed lower at 7.53% from 7.54% the prior week. This week, rates may drift higher due to anticipated re-pandemic on the macroeconomic and fiscal outlook.

Monthly Economic Forecast

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Foreign Exchange Market

The apex bank intervened through sales of FX to Foreign Portfolio Investors last week, which led to an appreciation of the local unit against the green back week-on-week. The naira at the Nigerian Autonomous Foreign Exchange fixing (NAFEX) window gained 22 kobo to close the day at N415.56/.$1. The sustained stability in the foreign exchange market stems from Central Bank of Nigeria’s (CBN) action of providing foreign currency to market participants. This week, we envisage that the trend will remain unchanged.

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