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Week ended: 19th May, 2017

A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p>Nigeria's Economy on its way out of recession as GDP contracts by 0.52% in Q1 2017 The National Bureau of Statistics (NBS) on Tuesday, 23rd May 2017 made public the first quarter 2017 Gross Domestic Product (GDP) report. According to the report, Nigeria's GDP contracted by 0.52% (year-on-year), symbolizing the fifth consecutive quarter of contraction since Q1 2016. This is an improvement as the GDP rate recorded a 1.21 percentage points improvement from -1.73% in the preceding quarter to -0.52% in Q1 2017. Real growth of the oil sector slowed by -11.64% (year-on-year), increasing by 6.06% when compared to Q4 2016. The non-oil sector grew by 0.72% driven largely by activities in the agriculture sector, Information & Communication, Manufacturing, Transportation and other services. The agricultural sector grew by 3.39% (year-on-year), a 0.3 percentage points increase from Q1 2016 and a reduction of 0.65 percentage points from Q4 2016.</p>	<p>Although the GDP growth rate is still negative, the good news is that the contraction is occurring at a slower pace. It is the best result since the economy started shrinking in the first quarter of 2016. Also encouraging is that the non-oil sector which accounts for about 90% of GDP has returned to positive growth at 0.72% for the first time since Q4 2015. Therefore, the outlook is strengthened by positive trends in economic indicators like better oil prices, rise in oil production, stability in foreign exchange reserves, better perceptions revealed by improved purchasing managers' indices and larger Federal Government capital expenditure. The capital market is set to return to the path of growth as we have seen recently by way of increased volumes and improved performance indicators. To hasten the recovery process, It is recommended that the government should ensure speedy implementation of the 2017 budget and its economic recovery and growth plan.</p>
 <p>CBN Maintains the Monetary Policy Rate at 14% for the sixth consecutive time The Monetary Policy Committee, MPC, met on 22nd-23rd May 2017 and unanimously decided to keep the monetary policy rate at 14%. The Central Bank Governor, Mr. Godwin Emefiele, announced the decision of the Committee while updating journalists on the result of the MPC meeting. According to him, eight out of 12 members attended the meeting and collectively decided to retain the MPR at 14%. The MPR was fixed at 14% in July 2016 and has since been retained at all MPC meetings that have been held. The Cash Reserve Ratio was also retained at 22.5 per cent, the Liquidity Ratio at 30 per cent and the Asymmetric corridor at +200 and -500 basis points around the MPR. In arriving at this decision, the Governor cited challenges facing the domestic economy and uncertainties in global economic environment such as dwindling commitment to global cooperation and strengthening of the U.S. Dollar.</p>	<p>The MPC decision was the best at the moment given the current economic conditions. This would give existing policies the opportunity to fully attain their proposed goals and objectives considering the time lag between policy decisions and effect on the economy. The intended goals are already being achieved as the Naira has become relatively stable and inflation has experienced a slight backward movement. Constricting the MPR would reduce aggregate consumption, expand income gap and make it difficult for the real sector to access credit. On the other hand, expanding the MPR would worsen inflationary pressures and the improvements in the value of Naira will be lost. Although retaining the MPR will make cost of capital to stay high and constitute a hindrance to economic growth, it is about the best decision that could be taken at this time.</p>

Do you know?

On July 13, 1998, **Rights Issues** were permitted for trading as the first derivative instrument in the Nigerian stock market. A rights issue is an invitation to existing shareholders to purchase additional new shares in the company. This type of issue gives existing shareholders securities called "rights", which give the shareholders the right to purchase new shares at a discount to the market price on a stated future date. The company is giving shareholders a chance to increase their exposure to the stock at a discount price. A Right Issue therefore, is a form of public offering.



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

The All Share Index completed the week ended 19th May, 2017 at 28,113.4 points, increasing by 2.18% week-to-date, 8.3% month-to-date, 5.6% year-to-date and 4.0% year-on-year. Accordingly, the equities market capitalisation ended the week at N9.7trn, gaining 2.19%, 8.29%, 6.1% and 4.6% from the start of the week, from the start of the month, from the start of the year and in the last one year respectively.

In the Unlisted Securities market, the index concluded the week at 572.4 points, reducing by 2.4% week-to-date, 3.0% month-to-date, 7.5% year-to-date and 5.65% year-on-year. The USI market capitalisation was at N387.3bn at the end of the week, losing 2.4% from the beginning of the week. It also lost 3.0% from the beginning of the month, 7.51% from the beginning of the year and 3.1% in the last one year. Obtainable data on the net asset value of Collective Investment Schemes stood at N251.9bn at the end of the period under review.

In the money market, the Overnight and the Open Buy Back rates concluded the week lower at 26.1% and 23.3% decreasing by 27.3 and 25.0 percentage points respectively.

In the commodities market, crude oil price rose by 3.5% week-to-date, closing the week at \$53.6. This could be attributed to the new push by Saudi Arabia and Russia to support the extension of oil production cut by another 9 months. Oil price also increased by 6.2% month-to-date and 11.1% year-on-year, but it reduced by 3.4% year-to-date. Gold, wheat and corn finished the week higher by 1.92%, 2.8% and 1.8% respectively. Contrariwise, cocoa and cotton prices declined at the end of the week by 0.6% and 13.9% respectively.

The interbank rate closed for the week at N305.45/US\$ whereas the parallel exchange rate closed the week at N380/US\$. From the beginning of the week, Naira gained 1.58% in the parallel market and 0.05% in the interbank market. Year-to-date, the Naira reduced by 0.15% in the interbank market and increased by 28.9% in the parallel market. But in the last one year, the Naira lost its value both in the interbank and parallel market by 35.4% and 8.7% respectively. Available data on external reserves showed that the external reserves stood at \$30.7bn by the end of the week, reducing by 0.2% week-to-date, as the CBN continued its intervention in the foreign exchange market. Reserves have also declined 0.8% month-to-date, 17.7% year-to-date and 15.5% year-on-year. The S&P500 index concluded the week at 2,365.7 decreasing by 1.5% from the beginning of the week.

Market	Indicator	Value* @ 19-May-17	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	28,113.4	2.18	8.3	5.6	4.0
	Market Capitalisation (N'tn)	9.7	2.19	8.29	6.1	4.6
Unlisted (NASD)	Unlisted Securities Index (USI)	572.4	(2.4)	(3.0)	(7.5)	(5.65)
	Market Capitalisation (N'bn)	387.3	(2.4)	(3.0)	(7.51)	(3.1)
Collective Investment	Net Asset Value (N'bn)	251.9	-	-	16.1	(13.3)
Money	Overnight (O/N) (%)	26.1	(27.3)	21.7	17.3	14.4
	Open Buy Back (OBB) (%)	23.3	(25.0)	19.5	15.1	12.0
Commodities	Crude Oil (\$/b)	53.6	3.5	6.2	(3.4)	11.1
	Gold(\$/t oz)	1,253.6	1.92	(0.3)	7.9	1.0
	Cocoa(\$/mt)	2,028.0	(0.6)	12.4	(6.4)	(32.5)
	Wheat(\$/bu)	4.4	2.8	(4.1)	6.9	(5.3)
	Corn(\$/bu)	3.7	1.8	0.5	5.1	(5.4)
	Cotton(\$/lb)	73.5	(13.9)	(7.5)	2.3	19.4
External	Interbank Ex-rt (N/US\$)	305.45	0.05	0.12	(0.15)	(35.4)
	Parallel Ex-rt (N/US\$)	380	1.58	2.89	28.9	(8.7)
	External Reserves (\$'bn)	30.7	(0.2)	(0.8)	17.7	15.5
	S&P 500	2,365.7	(1.5)	(1.1)	4.8	16.0

* When value of the relevant day is not available, the price of the nearest day is taken.

WTD: week-to-date; MTD: month-to-date; YTD: year-to-date; YoY: year-on-year

Source: Computed by the SEC ERPM Research Division; underlying data from NSE, NASD, SEC, FMDQ, Bloomberg CBN and FRED

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