

February 26, 2016

Crude oil price

In the crude oil market, OPEC's weekly basket price increased 1.07 percent from \$29.02 per barrel in February 19 to \$29.33 per barrel in February 26¹. A combination of factors were responsible for the slight price increase. First, a decrease in the number of active oil rigs in the US² (the lowest since 2009) may have marginally eased the glut in the crude oil market. The ongoing efforts by OPEC and other major oil producers such as Russia to freeze oil production have also played a significant role in stemming the downward trend in oil prices. With the current market conditions, the price of crude oil is expected to maintain a fairly stable and modest upward trajectory in the near term.



Exchange rates

At the parallel market segment of the foreign exchange market, the naira appreciated by 13.5 percent, from N370/\$ on February 19, to N320/\$ on February 26, 2016³. Favourable demand and supply dynamics in the forex market, sustained appreciation of the naira against the dollar in the period. On the demand-side, stringent measures by the CBN to curb speculative demand for dollars seem to be yielding positive results. On the supply side, CBN's decision to refund the ₦35 million mandatory deposits to each Bureau De Change Operators have increased the liquidity of the operators in the parallel market⁴. With increased liquidity in the forex market, the value of naira is expected to remain fairly stable across all segments of the forex market in the near-term. The sustainability of the appreciation would depend on the ability of the monetary authorities to enforce measures that will discourage economic agents in the forex market from currency hoarding and speculative demands.



External reserves

The external reserve increased slightly by 0.07 percent, from \$27.79 billion on February 19th to \$27.81 billion on February 26th, 2016⁵. The increase in Nigeria's external reserve balance was largely driven by the combination of higher crude oil prices and a stronger naira. Against the backdrop of growing demand for forex at the official window, the CBN was able to build-up external reserves by \$16.23 million. In light of falling commodity prices, CBN's ability to sustain the gradual build-up of Nigeria's external reserve will contribute towards moderating macroeconomic shocks being faced by the economy.



Stock Market

All Share Index (ASI) and Market Capitalization declined slightly by 0.8 percent to close at 24,228.79 points and N8.34 trillion respectively at the end of February 26, 2016⁶. The apparent decline of both indices during the period was largely driven by high volatility in the forex market, especially at the parallel market, as well as growing concerns about the extent of non-performing loans in the banking system. Already, investors in the Capital Market are becoming more risk-averse, as demonstrated by the reduced number of total shares subscribed during the period under review. As Nigeria's external economic position improves, the Capital Market may attract moderate foreign investments in the near term, especially if the current impediments to free capital movement are gradually removed⁷.



¹OPEC Weekly Oil Price. Accessed February 26, 2016 http://www.opec.org/opec_web/en/data_graphs/40.htm

²Baker Hughes. "Rig Count Overview & Summary Count". Accessed March 1, 2016 <http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsoverview>

³Lagos Black Market Rates. Abokifx2016. Accessed February 16, 2016 [http://abokifx.com/2016/02/24/](http://abokifx.com/http://abokifx.com/2016/02/24/)

⁴Abokifx "Market Panic" Accessed February 24, 2016 <http://abokifx.com/blog-post/market-panic-aboki-says/>

⁵CBN Statistical database 2015. Accessed January 22, 2016

⁶NSE (2015) Weekly Market Report. Accessed February 26, 2016 <http://www.nse.com.ng/>

⁷Olayemi Kayode. "Nigerian Stocks: The Winners & Losers For The Week Ended Feb 26, 2016". Nairametrics, February 28, 2016. Accessed February 29, 2016 <http://nairametrics.com/nigerian-stocks-the-winners-losers-for-the-week-ended-feb-26-2016/>

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