

April 29, 2016

## Crude Oil

Crude oil price increased week-on-week. OPEC weekly basket price increased from \$38.64 on April 22, 2016 to \$41.08 on April 29, 2016<sup>1</sup> and Nigeria's bonny light also increased from \$43.4 to \$44.77<sup>2</sup> within the same period. The price increase was triggered by weakening U.S. dollar and a fall in U.S. production<sup>3</sup>. World Bank raised its crude oil price forecast for 2016 to \$41 per barrel from its January assessment of \$37 per barrel, due to weaken dollar against other currencies, as well as growing optimism that the market will rebalance itself in the coming months<sup>4</sup>. Despite the increase in price, the glut in the oil market still persists as Iran's crude oil output is expected to increase by about 0.5mb/d<sup>4</sup>, following their absence at the Doha meeting aim at freezing output. Although oil price has gained transient momentum, the marginal rise in oil price is unlikely to shore up national revenue in the near future due to steady fall in production levels arising from vandalism, and policy uncertainties discouraging investments in the sector.



## Stock Market and Investment

All Share Index (ASI) and Market Capitalization both appreciated by 0.85 percent, from April 22, 2016 to April 29, 2016<sup>5</sup>. ASI increased to 25,062.41 points from 24,765.10 points and Market Capitalization also increased to N8.62 trillion from N8.55 trillion. All other indices appreciated with the exception of NSE Insurance Index, NSE Oil/Gas Index, NSE Lotus Index, NSE Industrial Goods and NSE ASeM Index. Recent performance data of the Nigerian Capital Market by the Nigerian Stock Exchange (NSE) shows that the total value of transactions on the Exchange decreased by 17.87 per cent to N96.31 billion in March 2016 from N117.27 billion recorded in February 2016<sup>6</sup>. For the second consecutive month, Domestic Investment outperformed Foreign Investment by 28.48 percentage points. In addition, foreign outflow outweighed foreign inflow in March by N3.64 billion. Thus monetary authorities may need to affirm their stance on devaluation, as the current forex restrictions and speculations of an imminent devaluation hinder the repatriation of capital; hence discouraging foreign investment.



## Foreign Exchange and Foreign Reserve

The naira depreciated marginally by N1 to N323/\$ from N322/\$ at the parallel market segment between April 22, 2016 and April 29, 2016<sup>7</sup>, but remained stable at the official market segment (N197) within the same period<sup>8</sup>. The apparent wide gap between both segments of the forex market persisted throughout the period under review. For the second consecutive week, foreign reserve have declined despite a significant increase in crude oil price over the period. Specifically, the foreign reserve declined by 0.65 percent to \$27.1 billion from \$27.3 billion in the period under review<sup>9</sup>. The decline in the foreign reserve can be attributed to the ongoing efforts by the Central Bank of Nigeria (CBN) to stabilize the parallel market through weekly allocation of FOREX to both commercial and merchant banks (about \$152.9 million). In addition, a loss in market share of India's purchase of crude oil to other West African countries contributed to the depletion of the reserves. <sup>11</sup>The CBN appears to be leveraging on potential reserves from rising oil price to support the Naira. However, caution is advised as the marginal increases in oil prices need to be complemented by government's efforts to tackle the impediments to production and increase reserves.



## Power Sector

Power sector analysis shows an increase in power generated by 15.5 percent from 3639.2 megawatt to a peak of 4196.2 megawatt between April 22, 2016 and April 29, 2016<sup>12</sup>, albeit a sharp fall to 25.2 megawatts on April 23, 2016 following a system collapse<sup>13</sup>. In a bid to attain the targeted 10,000 megawatts by 2019, the Federal Government is set to complete the ongoing 47 power transmission projects across the country, which would boost power supply<sup>14</sup>. However, the delays in passing the budget into law is a major constraint to the completion of the projects. Thus government needs to speed-up the passage of the 2016 budget to provide the funds to complete the projects.



Compiled by the Information and Data Management (IDM) Unit, CSEA

- <sup>1</sup>OPEC Weekly Oil Price. Accessed May 3, 2016. [http://www.opec.org/opec\\_web/en/data\\_graphs/40.htm](http://www.opec.org/opec_web/en/data_graphs/40.htm)
- <sup>2</sup><http://www.cbn.gov.ng>
- <sup>3</sup>The Week. "Oil price hits fresh highs for 2016 as Eni posts losses" The Week, April 29, 2016. Accessed May 3, 2016 <http://www.theweek.co.uk/oil-price/60838/oil-price-eases-back-from-2016-highs-as-traders-lock-in-profits>
- <sup>4</sup>World Bank Group. "April 2016 Commodity Markets Outlook" Retrieved from, <http://pubdocs.worldbank.org/pubdocs/publicdoc/2016/4/677121461693540498/CMO-April-2016-Full-Report.pdf>
- <sup>5</sup>Nigerian Stock Exchange (2016). "Stock Market Report for April 29th, 2016". Retrieved from, [http://www.nse.com.ng/market\\_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2029-04-2016.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/Week%20Market%20Report/Weekly%20Market%20Report%20for%20the%20Week%20Ended%2029-04-2016.pdf)
- <sup>6</sup>Nigerian Stock Exchange (2016). "Foreign Portfolio Investment Report March 2016". Retrieved from, [http://www.nse.com.ng/market\\_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20March%202016.pdf](http://www.nse.com.ng/market_data-site/other-market-information-site/FPI%20Report/NSE%20Domestic%20and%20FPI%20Report%20March%202016.pdf)
- <sup>7</sup>Lagos Black Market Rates. Abokifx2016. Accessed April 22, 2016. <http://abokifx.com/>
- <sup>8</sup><http://www.cbn.gov.ng>
- <sup>9</sup>CBN Statistical database 2015. The Movements in the Reserve. Accessed May 4, 2016 <https://www.cbn.gov.ng/IntOps/Reserve.asp?MoveDate=5/4/2016%206:52:15%20AM>
- <sup>10</sup>Salau Sulaimon. "Nigeria's oil exports drop, 20 cargoes remain unsold". The Guardian, May 4, 2016. Accessed May 4, 2016. <http://guardian.ng/energy/nigerias-oil-exports-drop-20-cargoes-remain-unsold/>
- <sup>11</sup>Chima Obinna. "First Bank Leads, as CBN Sells \$669m to Banks in April". Thisdaylive, May 2, 2016. Accessed May 3, 2016. Page 11. <http://www.thisdaylive.com/index.php/2016/05/03/monday-2nd-may-2016/>
- <sup>12</sup>Nigeria Electricity System Operators (2016). "System Performance Chart for April 22, 2016 to April 29, 2016". Accessed May 2, 2016. <http://www.nsong.org/PerformanceChart.aspx>
- <sup>13</sup>Transmission Company of Nigeria (2016). "TCN Restores System after Partial Collapse Caused by Sudden Loss of Generation". <http://www.tcnorg.com/index.php/component/content/article/7-news/299-tcn-restores-system-after-partial-collapse-caused-by-sudden-loss-of-generation>
- <sup>14</sup>The Nation. "47 transmission projects near completion". The Nation, April 29, 2016. Accessed May 2, 2016. <http://thenationonlineng.net/47-transmission-projects-near-completion/>