

July 8, 2016

Crude Oil Price

Nigeria's bonny light price declined significantly by 5.2 percent from \$47.91 per barrel on July 1, 2016 to \$45.41 per barrel on July 8, 2016¹. OPEC weekly basket price also decreased by 2.1 percent to \$44.31 within the same period². The decline is traceable to depletion on U.S crude oil stockpiles³. However, hopes of a rebound in Nigeria's crude production seemed to have been momentarily dashed following renewed pipeline attacks in the week. The renewed attacks on pipeline could be attributed to the breakdown in ongoing dialogue in the Niger Delta region with the government. Nonetheless, a force majeure⁴ on bonny light exports was lifted in the review week, and this is anticipated to increase crude exports in the near term.



Stock Market

The All-share index and Market capitalization declined by 1.54 percent between July 1, 2016 and July 8, 2016. Specifically, ASI fell by 450.42 points to 28,854.98 points, while Market Capitalization decreased by N140 billion to close at N9.91 trillion⁵. All other indices (apart from NSE ASeM index) closed lower within the period. The bearish position may have been triggered by sell-offs⁶, following the recent update on the "unfavorable" financial state of some commercial banks⁷, amid concerns of an impending economic recession. Notably, the imminent banking sector crisis likely discouraged the inflow of foreign portfolio investment, as the NSE banking index closed at -2.6 percent in the review week. The fall in foreign investment reinforces the urgent need to improve on the investment climate, particularly the liquidity challenges faced by commercial banks.



Foreign Exchange

Naira/dollar exchange rate continued to be relatively stable in the parallel market segment at the average rate of N352/\$ between July 1, 2016 and July 8, 2016⁸. The interbank rate averaged N282/\$⁹. The relative stability is likely attributed to moderation in speculative demand for FOREX due to relaxed business activities occasioned by the public holiday in the week. However, foreign reserves increased marginally by 0.1 percent from \$26.39 billion to \$26.42 billion¹⁰. The increase seems to be connected to less weekly allocation of FOREX by the CBN following the public holiday days in the review week. Despite hopes on the effectiveness of the new FOREX policy framework in restoring the value of the Naira, foreign exchange rate have remained high. Liquidity challenges occasioned by confidence deficit has continued to retain the CBN as the sole major supplier of FOREX, which hampers the effectiveness of the new FOREX management framework. The government should make efforts to tackle other major challenges present in the business environment, to help boost investor and business confidence; thus accelerating the success of the new FOREX policy.



Power Sector

Power sector analysis shows an increase in power generated by 3.01 percent from 2903.5mw to 2991.8mw between July 1, 2016 and July 8, 2016, with a peak of 3260.8mw on July 5, 2016¹¹. This is however, still below the highest (5074.7mw) recorded in February, 2016. The increase reflects improved use of hydro (water) for power generation¹². The easing out of gas constraint occasioned by recent pipeline repairs have also contributed to the increase in power generation. Improvements in power generation would be sustained if hydro measures are complemented with fast-tracked repairs on damaged gas channels and intensified efforts at tackling pipeline sabotage.



¹CBN (2016). Cbn.gov.ng

²OPEC weekly oil price. Accessed on July 11, 2016

http://www.opec.org/opec_web/en/data_graphs/40.htm

³Force Majeure: A legal clause that allows companies to cancel or delay deliveries and production due to unforeseen circumstances.

⁴Oil Price (2016). "Demand concerns see oil fall to two month low". Oil Price, July 8, 2016. Accessed on July 11, 2016. <http://oilprice.com/newsletters/free/opintelo8072016>

⁵Nigerian Stock Exchange (2016). "Stock Market Report for July 8, 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%2008-07-2016.pdf

⁶Sell-off: The rapid selling of securities due to unsatisfactory earnings report. This increases supply, leading to decline in value of securities.

⁷Nairametrics (2016). "The fear of a Skye bank contagion could trigger a massive sell-off" Nairametrics, July 8, 2016. Accessed on July 11, 2016.

<http://nairametrics.com/the-fear-of-a-skye-bank-contagion-is-scaring-investors/>

⁸Abokifx (2016). "Lagos Black market rates". Abokifx July 8, 2016. Accessed on July 11, 2016.

<http://abokifx.com/previous-rates-2/>

⁹Cbn data and statistics 2016. Exchange Rate. Accessed July 11, 2016.

<http://www.cbn.gov.ng/rates/ExchRateByCurrency.asp>

¹⁰CBN statistical database 2016. The Movements in Reserves. Accessed July 11, 2016.

<http://www.cbn.gov.ng/IntOps/Reserve.asp>

¹¹Nigeria Electricity System Operators (2016). "System Performance Chart for July 1, 2016 to July 8, 2016". Accessed July 11, 2016. <http://nsong.org/PerformanceChart.aspx>

¹²Nigeria Electricity Hub. "Power supply up by 140mw" July 11, 2016. Accessed July 11, 2016.

<http://www.nigeriaelectricityhub.com/?p=8075>