# To Know and To Note_0702022

**This past week was another episode of major events in the markets and the economy. Amidst the plethora of information, here are five carefully curated developments we think you should know and note. AO**

**1- Oil Prices, OPEC+ and the $100pb mark –** OPEC+ continued its moderate crude oil output increases of 400,000 barrels per day, not buckling to pressure from consuming countries to accelerate production. Given that this happened against the backdrop of declining U.S. crude inventories, Russia-Ukraine geopolitical tensions, explosion of the Shebah FPSO and lack of spare capacity by OPEC members, Oil prices continued their march onwards having breached the $90pb mark to reach a high of $93.85 before settling at $92.5. A breach of the $100pb mark seems imminent.

**2- BOE raises interest rate by 25bps –** The BOE raised interest rates by 25 basis points to 0.5% in a bid to contain the fastest inflation in three decades. YoY CPI figures for December showed a 5.4% increase, the highest rate since the 1990s and expectations are that it will continue its northward march to peak at 7.25% in April. It was therefore not surprising that four of the nine Monetary Policy Committee members wanted to raise rates to 0.75% in what would have been the biggest increase in 25 years. The BoE also said it will start to unwind its 895 billion pound ($1.2 trillion) quantitative easing programme by allowing the government bonds it holds to roll off its balance sheet as they mature whilst the European Central Bank pivoted to a more hawkish stance.

**3- External Reserves slide –** As expected, the External reserves slid below $40bn for the first time in 3 months. The expiration of the full impact of the SDR and Eurobond inflows witnessed in the last quarter of last year and the structural deficiencies of the reserve meant that having peaked at $41.59bn, the reserves commenced its usual slide downwards and the 30-day moving average only means that the actual figure is much lower. The trend is expected to continue in the short to medium term as borrowing is almost impossible given the tight external environment. Meanwhile, $300m June-2022 Eurobond will be paid in a few months.

**4- PMI and IMF Confirm Recovery –** The Stanbic IBTC Bank Nigeria PMI fell to 53.7 in January of 2022 from an over two-year high of 56.4 in the previous month. The latest reading is the lowest since September 2021 and points to softest improvements in business conditions seen in 4 months. Overall, the reading is positive for the economy and the positive view could be seen as being confirmed by the IMFs reiteration of its 2.7% forecast for economic growth in 2022.

**5- Of Stock and Currencies -** The bulls dominated the NGX with the All-Share Index and Market Capitalization appreciating by 2.33% to close the week at 47,279.92 and N25,477.44 trillion respectively. This bullish sentiment was witnessed in almost all sectors except for the insurance and consumer goods segments. Overall, Year-to-Date returns printed at +10.68%.
In the parallel market, Naira appreciated by N1 against the Dollar, to close the week at $/N569, as demand remained subdued. Conversely, the Naira witnessed a 33kobo loss to close the week at $/N416.33 at the I & E window while the SMIS rate remained stable to close at $/N 430.00.

## Inferences

As it stands, even the most dovish DM Central Banks (like the ECB) seem to be reversing their dovish stance as the global economy battles the worst inflationary pressures witnessed in decades. Back in sub-Saharan Africa, South Africa has hiked for the second straight policy meeting whilst Ghana decided to hold despite acknowledging the inflationary risks. Meanwhile the Nigerian MPC is of the view that the country is immune to these global developments. With external reserves resuming its“normal” slide, the steep road downwards may just be the “wake-up call” for the MPC.

Meanwhile the gains witnessed in crude prices which should have ordinarily been good news are a major cause for concern given the subsidy implications. As mentioned last week, a supplementary budget of at least N2.6 trillion is in the works to provide funding for this. For interest rates, the probability of a bullish scenario is now slimmer than ever as all roads seem to point north.

Have a great week ahead