

Weekly Economic and Financial Commentary

Global Economy

Data released during the week showed the U.S added 145,000 jobs in December (average hourly wage rate increased by 0.1%, compared to 0.3% growth in November), coming below the 256,000 jobs added in November. Notwithstanding, the unemployment rate remained at a 50-year low of 3.5% YoY. The slower job growth is not unrelated to deceleration in economic activities, with December manufacturing PMI declining 0.9 points to 47.2 index points, marking the fifth consecutive month of decline and the lowest level since June 2009.

According to preliminary data, inflation in the EU increased by 1.3% YoY in December 2019 (November: 1.0%), the highest reading since June, following increases in energy prices, food, alcohol & tobacco prices. Price levels increased in Germany, France and Italy by 1.5%, 1.6% and 0.5% from 1.2%, 1.2% and 0.2% YoY respectively in November. Also, data out of China, revealed the inflation rate expanded by 4.5% YoY (same as prior month) in December 2019. The increase emanated from higher pork prices, as African swine ravages the country’s pork industry.

Domestic Economy

The World Bank in its recently released Global Economic Prospect revised its Nigeria growth forecast for 2019 and 2020 lower to 2.0% and 2.1% from previous estimates of 2.1% and 2.2% respectively. The World Bank projects growth to remain stagnant at 2.1% anchored on concerns regarding the current multiple exchange rates, foreign exchange restrictions, high persistent inflation and growing uncertainty about the direction of government policies.

The Central Bank of Nigeria in a letter circulated to banks last week maintained the minimum loan to deposit ratio at 65%. The apex bank also maintained the 150% weighting assigned to SMEs, retail, mortgage and consumer lending. However, the assessment of compliance to the minimum ratio will now be based on average daily figures.

Figure 1: Brent Crude Price Trend

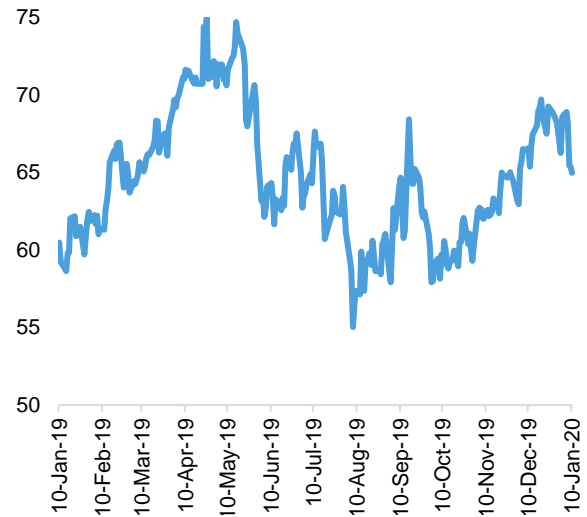
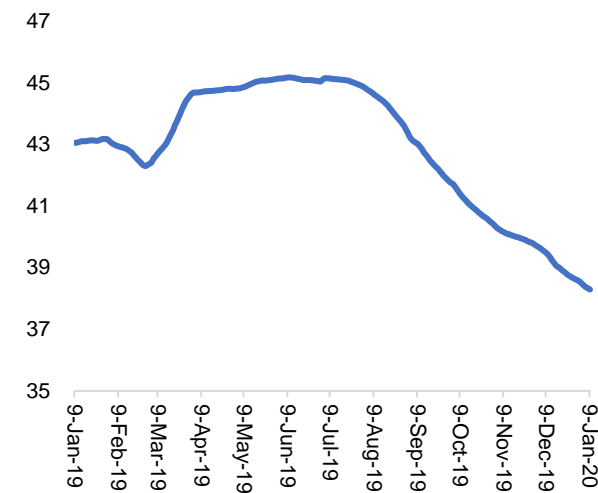


Figure 2: Movement in Gross Reserve (\$'Billion)



Crude Oil

Last week, President Donald Trump held a press conference following the missile launch by Iran on US facilities in Baghdad which suggested easing of the tension between both countries. Accordingly, crude oil prices traded 5.3% lower last week to close at \$64.98/barrel. Expectations of escalation of tensions had resulted in crude oil prices rising about 4% in the wake of the attack on US installations in Baghdad. The close price is still ahead the Federal Government of Nigeria 2020 budget benchmark of \$57/barrel.

Foreign Exchange and Reserve

As at Thursday (Jan. 09 2020), the gross external reserve had depleted by \$200 million to \$38.3 billion when compared to \$38.49 billion as at Jan. 03 2020. Year to date, the reserve is down \$306 million. However, the naira appreciated at the I&E window by 60bps to close at N362.94/\$ with total turnover at window increasing by 15.4% WoW to \$869.86 million. The Naira traded flat at the parallel market to close at NGN362.00/\$.

Fixed Income

At the OMO auction held last week, the apex bank offered a total of N350 billion (89-day: N20 billion, 180-day: N30 billion and 362-day: N300 billion). Subscription was weak on the 89-day and 180-day bills, with no sale recorded. However, the 362-day bill recorded oversubscription to the tune of N411 billion. Compared to the offer on the 362-day. The apex bank sold a total of N411 billion. One year stop rate at the auction closed marginally lower by 1bp to 13.25%. In the secondary market, average fixed income moderated by 30bps WoW, following 30bps declines at both the long and short ends of the curve. Declines in bond yields were recorded on the Mar-2036 (-64bps), Apr2037 (-60bps), Apr-2049 (-41bps), Apr-2023 (-44bps) and Jan-2026 (-67bps) bonds.

Equities

The Nigeria equities market closed last week higher by 9.07% WoW to close at 29,415.39pts with market capitalization adding N2.2 trillion. The gains in the market cap was further elevated by the listing of 33.86 billion ordinary shares of BUA Cement Plc on the NSE at N35 per share. The Cement sector (+20.59%), followed by Banking (+8.58%), Telecom (+4.37%), Food (+1.59%) and insurance (+0.47%). On the other hand, the Brewers (-0.17%), Personal care (-5.21%) and Oil & Gas (-0.44%) segments closed lower.

Figure 3: Nigeria YoY and MoM Inflation Trend

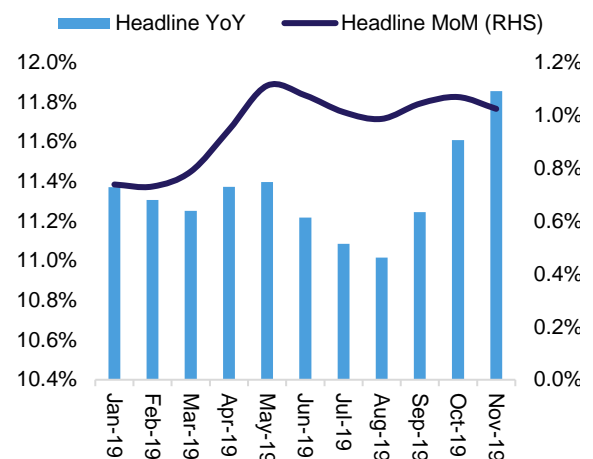


Figure 4: Daily Money Market, FX and Fixed Income Rates

Foreign Exchange rates	03-Jan-20	06-Jan-20	07-Jan-20	08-Jan-20	09-Jan-20	10-Jan-20	WoW % Change
CBN Official	307.00	307.00	307.00	306.95	306.95	306.95	0.02%
CBN SMIS Window	358.51	358.51	358.51	358.51	358.51	358.51	0.00%
NAFEX	364.98	364.57	364.11	363.81	362.80	362.60	0.66%
Money Market rates %	03-Jan-20	06-Jan-20	07-Jan-20	08-Jan-20	09-Jan-20	10-Jan-20	WoW Change (bps)
Open Buy Back (OBB)	2.36	2.29	2.25	2.07	3.71	9.71	-735.00
Overnight (O/N)	3.07	2.93	2.92	2.79	4.43	10.71	-764.00
FGN Bonds %	03-Jan-20	06-Jan-20	07-Jan-20	08-Jan-20	09-Jan-20	10-Jan-20	WoW Change (bps)
Jul-21	8.46	8.53	8.45	8.42	8.56	8.66	-20.00
Jan-22	9.06	9.04	8.91	8.83	8.82	8.86	20.00
Apr-23	10.16	10.04	9.96	9.74	9.50	9.72	44.00
Mar-24	9.99	10.16	10.11	10.12	9.74	9.86	13.00
Mar-25	10.30	10.29	10.29	10.57	10.02	10.02	28.00
Jan-26	11.11	11.11	11.11	10.94	10.44	10.44	67.00
Mar-27	11.23	11.11	11.13	10.96	11.00	11.07	16.00
Feb-28	11.56	11.31	11.12	10.95	11.12	11.37	19.00
Jul-30	11.66	11.48	11.27	11.04	11.16	11.33	33.00
Jul-34	11.68	11.68	11.49	11.24	11.24	11.24	44.00
Mar-36	11.88	11.88	11.62	11.24	11.24	11.24	64.00
Apr-37	11.95	11.95	11.56	11.56	11.35	11.35	60.00
Apr-49	12.77	12.69	12.44	12.26	12.30	12.36	41.00
T-Bills	03-Jan-20	06-Jan-20	07-Jan-20	08-Jan-20	09-Jan-20	10-Jan-20	WoW Change (bps)
NGOMOB 01/30/20	12.67	11.18	10.78	10.87	11.40	10.82	185.00
NGOMOB 02/27/20	12.78	12.74	12.78	12.28	12.21	12.35	43.00
NGOMOB 03/26/20	12.43	12.89	12.07	12.06	12.05	12.04	39.00
NGOMOB 04/23/20	13.19	13.73	13.72	12.46	12.38	12.38	81.00
NGOMOB 05/28/20	12.44	13.14	12.97	12.96	12.96	12.57	-13.00
NGOMOB 06/18/20	12.50	13.24	12.88	12.89	13.01	12.67	-17.00
NGOMOB 07/16/21	12.82	13.74	12.99	12.98	12.98	12.98	-16.00
NGOMOB 08/27/22	12.11	13.56	13.50	13.22	13.22	13.22	-111.00
NGOMOB 09/24/23	12.70	13.73	13.94	13.66	13.63	13.62	-92.00
NGOMOB 10/22/20	13.10	12.95	14.17	14.07	14.07	14.06	-96.00
NIGTB 04/02/20	5.16	5.16	5.16	3.53	3.52	3.52	164.00
NIGTB 07/02/20	4.24	4.00	4.35	3.56	3.56	3.56	68.00
NIGTB 10/01/20	4.50	4.90	5.08	5.08	5.08	5.08	-58.00

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