

# Weekly Economic and Financial Commentary

## Global Economy

Japan's industrial production for the month of November declined for the second consecutive month by -8.1% YoY (October: -7.7% YoY) following declines in production machinery (18.8% YoY) and electrical machinery (8.6%YoY). Also, the impact of the increase in sales tax which took effect on the 1st of October dragged consumer spending further in November, with retail sales data for the month declining by 2.1% YoY (October: -7.0% YoY) following weak demand for general merchandise (-4.4% YoY), motor vehicles (-5.9% YoY) and machineries (-7.8% YoY).

## Domestic Economy

Last week, the shareholders of the NLNG (Federal Government of Nigeria, Shell, Total Gaz Electricite Holdings and Eni) agreed to a \$10 billion Liquefied Natural Gas (LNG) expansion project, which is expected grow its production of LNG from 22 million tonnes per annum to 30 million tonnes per annum by 2024. The project tagged Train 7 project is coming 12 years after the completion of Train 6, in 2007.

The Central Bank of Nigeria (CBN) last week released a revised guideline for charges by banks, other financial and non-bank financial institutions which will be effective from January 1st, 2020. The apex bank reduced current account maintenance charges only to customer-induced current account debit transactions subject to a maximum of N1 per mille. Charges were also reduced for electronic transfers based on value of transactions compared to previously fixed amount. Card issuance/replacement/renewal fees of N1,000 is expected to be charged irrespective of card type (regular or premium) and ATM charges is stipulated at a maximum of N35 after the third withdrawal within the same month (compared to N65 currently).

## Crude Oil

Bonny light gained 2.19% last week to close at \$68.49/barrel. Most of the gains emanated from positive news regarding trade negotiation between US and China, and upbeat economic sentiment. Year to date, oil prices are roughly 30% higher.

Figure 1: Brent Crude Price Trend

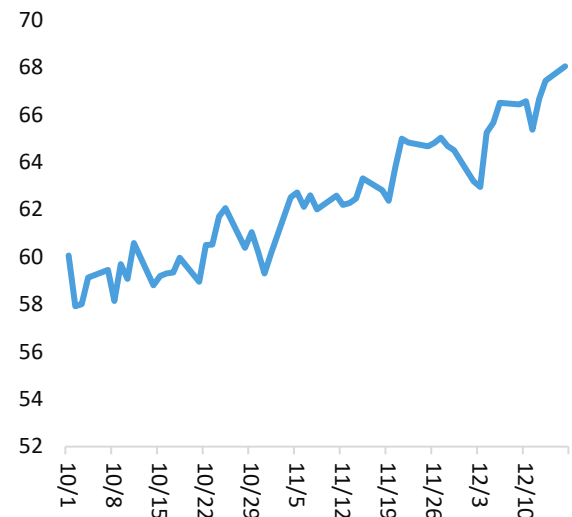
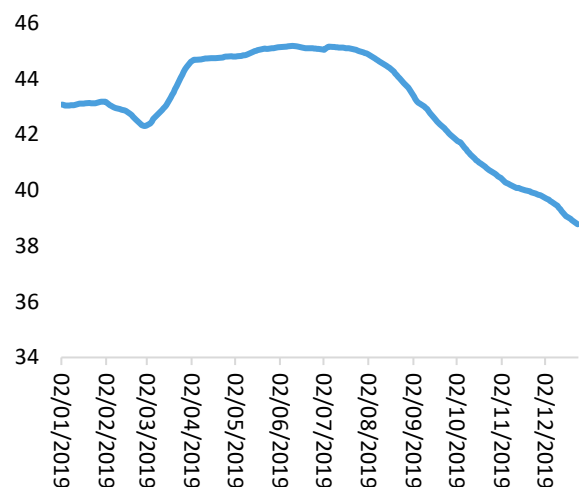


Figure 2: Movement in Gross Reserve (\$'Billion)



## Foreign Exchange and Reserve

The gross foreign reserves depleted by \$149.52 million last week to \$38.78 billion (24th Dec 2019). The naira weakened at the I&E window by 0.2% last week to NGN364.57/USD, while it remained stable at the parallel market at NGN361.00/USD. Year to date, the higher demand for imports and repatriation of funds, drove the FX reserve lower by \$3.82 billion and \$6.12 billion when compared to the year's peak of \$44.89 billion.

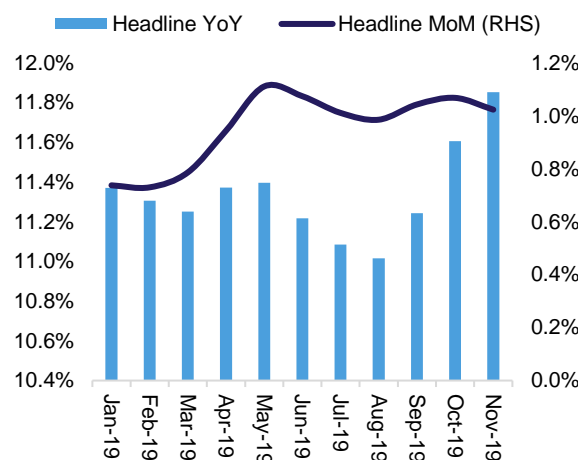
## Fixed Income

The CBN held OMO auction last week, offering N150 billion (88-day: N20 billion, 179-day: N30 billion, and 361-day: N100 billion). No subscription was recorded for the 88-day and only N5 billion was recorded for the 179-day, as a result, no sale was recorded for both instruments. However, compared to the offered amount, subscription came in at N250.51 billion for the 361-day instrument, as a result, the CBN cleared the total subscription at a stop rate of 13.28% (same as the previous auction). In the secondary market, average fixed income yields moderated 21bps WoW to end the week at 8.15% following contraction at the both ends of the curve. NTB yields declined 24bps WoW to 5.60% due to moderation across, while average bond yields contracted by 19bps WoW to 10.71% due to sizeable moderation in the short tenor bonds.

## Equities

The Nigerian equities market closed lower last week by 0.41% to close at 26,416.48points with market cap losing N51.3 billion during the week. The sell-off emanated from Telecom (-4.37%), Breweries (-0.49%) and Banking (-0.12%) sectors. The support liquidity in the market, the NSE sets a new guideline for free float requirements which will be effective 2nd of January 2020. According to the new rule, 20% minimum free float is required for companies listed on the Premium board or a free float value of N40 billion and above. The Main board and ASeM board will require 20% and 15% free float or value of N20 billion and N50 million respectively. Year to date, the NSE ASI is down 15.95%.

Figure 3: Nigeria YoY and MoM Inflation Trend



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

Money Market rates %	20-Dec-19	23-Dec-19	24-Dec-19	27-Dec-19	00-Jan-00
Open Buy Back (OBB)	2.14	2.00	11.57	3.93	-45.55%
Overnight (O/N)	2.93	2.93	12.64	4.57	-35.89%
Foreign Exchange rates					
CBN Official	306.95	307.00	307.00	307.00	-0.02%
CBN SMIS Window	358.51	358.51	358.51	358.51	0.00%
NAFEX	364.06	364.17	364.20	364.57	-0.14%
FGN Bonds %					
Jul-21	9.16	9.14	8.22	8.20	11.69%
Jan-22	9.89	10.39	10.39	10.37	-4.66%
Apr-23	10.86	10.42	10.56	9.96	9.01%
Mar-24	10.86	10.60	10.01	10.01	8.50%
Mar-25	10.84	10.83	10.83	10.91	-0.68%
Jan-26	11.18	11.61	11.75	11.65	-4.07%
Mar-27	11.51	11.40	11.50	11.80	-2.48%
Feb-28	12.14	11.46	11.43	11.43	6.21%
Jul-34	11.87	11.87	11.84	11.84	0.23%
Mar-36	11.45	11.45	11.66	12.05	-4.98%
Apr-37	11.69	11.69	11.69	12.12	-3.54%
Apr-49	12.88	12.83	12.84	12.88	0.01%
T-Bills					
NIGTB 01/02/20	6.40	6.40	6.40		0.00%
NGOMOB 02/06/20	12.70	12.70	13.45	13.45	-5.58%
NGOMOB 03/19/20	12.85	12.85	12.85	12.85	0.00%
NIGTB 04/02/20	5.20	5.20	5.10	5.10	1.96%
NGOMOB 06/04/20	12.43	12.72	12.67	12.67	-1.87%
NIGTB 07/02/20	6.27	6.65	6.19	6.19	1.21%
NGOMOB 08/13/20	12.75	12.75	12.75	12.72	0.24%
NGOMOB 09/03/20	13.05	13.05	13.05	13.05	-0.02%
NIGTB 10/01/20	5.85	5.85	5.00	5.00	17.00%
NGOMOB 10/22/20	12.03	12.03	12.03	12.03	-0.04%

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