

Weekly Economic and Financial Commentary

Global Economy

Data released during the week showed the U.S added 225,000 jobs in January (beating analysts' estimate of 158,000 jobs for the month) compared to 145,000 jobs in December. Average hourly wage rate increased by 0.2% in January compared to a growth of 0.1% growth in December. Notwithstanding, the unemployment rate increased to 3.5% YoY, due to an increase in labor force participation rate by 0.2% to 63.4%, matching its highest level since June 2013. Notable job gains occurred in construction, health care, and transportation and warehousing.

As part of the Phase 1 trade deal signed earlier in January, the Chinese authority last week Thursday announced they will halve the tariffs on \$75 billion worth of US imports from February 14. According to the terms of the deal, the US is also expected to halve tariffs on \$120 billion worth of Chinese imports on the same day. Recall China in response to the US government imposing a tariff on imports, had imposed a retaliatory tariff on US imports (US crude oil, LNG, pork and soybeans) in September 2019. Specifically, duties on US crude oil imports from US will be reduced from 5% to 2.5%, while the tariff on other goods (mostly agricultural products) will also be reduced by 2.5%.

Domestic Economy

Last week, the Minister of Finance, Zainab Ahmed, disclosed that the Federal Government has decided to approach the China-Exim Bank and the Islamic Development Bank (IDB) for \$17 billion loan. The Minister stated that the funds would be channeled to the funding of infrastructure which will enhance productivity. Projects also cover health care, education and the rehabilitation of the North East geopolitical zone. Examples of projects are the Mambila Hydro Power project (\$4.9 billion), Lagos/Kano modernization project (\$4.1 billion), development finance project loan being provided by a consortium of World Bank and AfDB (\$1.28 billion). The finance minister noted that the 8th National Assembly had approved about \$6 billion out of the \$29.96 billion leaving a balance of \$22.8 billion.

Figure 1: Brent Crude Price Trend (\$/bbl)

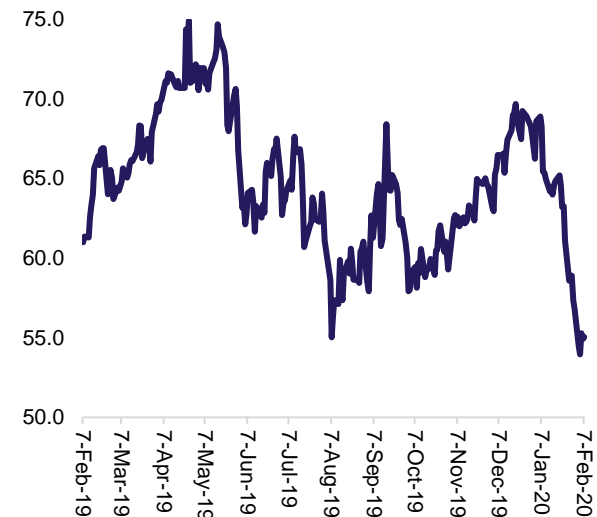
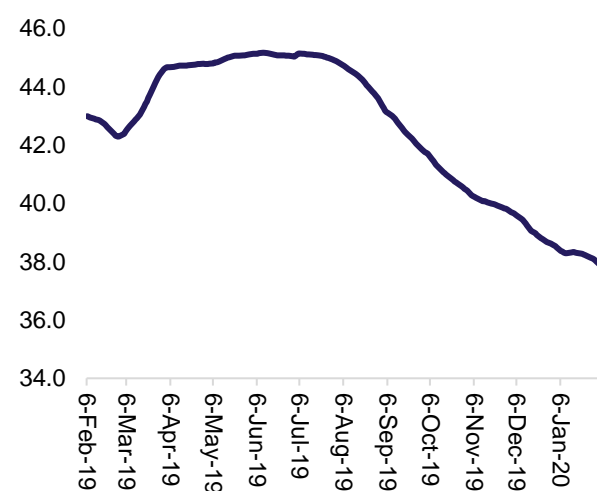


Figure 2: Movement in Gross Reserve (\$Bn)



Crude Oil

Notwithstanding the strong US job growth last week, crude oil prices still closed lower, to record the fifth consecutive week of losses as the spread of the coronavirus continues to send negative sentiments across the global economy. An additional 89 deaths were reported on Sunday, bringing the total number of people killed by the fast-spreading coronavirus to 811 in Mainland China and the global death toll currently to 813 (including one death in the Philippines and another in Hong Kong). According to WHO's latest situation report, nearly 300 cases have been reported in 24 countries, mostly in Asia. To salvage the downside in crude oil prices, the OPEC+ Joint Technical Committee last week Thursday recommended a cut to production of its members and other allies by additional 600,000 barrels a day beginning in April. However, Russian energy minister Alexander Novak earlier Thursday, said he was not ready to commit to any production changes. Overall, Brent crude price closed 3% lower WoW to \$55.04/bbl. Also, when compared to the close price of 2019 of \$67.77/bbl, Brent crude price is down 18.8% year to date. The close price is now \$1.96 below the Federal Government of Nigeria 2020 budget benchmark of \$57/barrel.

Foreign Exchange and Reserve

As at Thursday (Feb. 06, 2020), the gross external reserve depleted by \$330.18 million to \$37.72 billion when compared to \$38.06 billion as at Jan. 30, 2020. Year to date, the reserve is down \$869.49 million. The naira depreciated at the I&E window by 11bps WoW to close at N364.37/\$, with the 6-months and 12-months forward points expanding by N1.72 and N3.91 to N379.26/\$ and N399.75/\$ respectively. The naira however traded flat at both the BDC and Parallel market at N358.50/\$ and N359.00/\$ respectively.

Fixed Income

At last week's OMO auction, the CBN offered securities worth N150 billion, lower than maturing bills of N311.54 billion. Irrespective of the higher maturity, subscription came in lower at N128.20 billion for the mid and long end only, with no sale recorded at the short end. Accordingly, the apex bank cleared the total subscription, N20.40 billion for the 180DTM and NGN107.80 billion for the 362DTM instruments at respective stop rates of 11.60% and 13.05% (4bps lower than 13.00% at the last auction). At the secondary market, average bond yields expanded 17bps WoW to 9.79% driven by increases in the Feb-2020 (+185bps), Jul-2021 (+27bps) and Apr-2023 (+25bps). Also, NTB yields rose 13bps to 3.86% following increases observed across the short-tenor bills (35bps) and long-tenor bills (34bps).

Figure 3: Movement in Forward Points

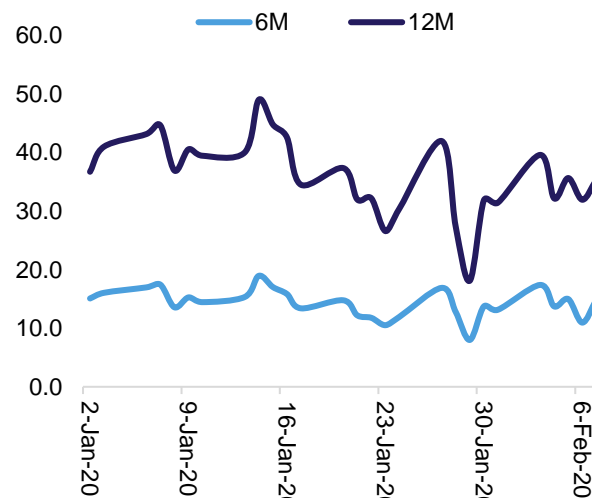
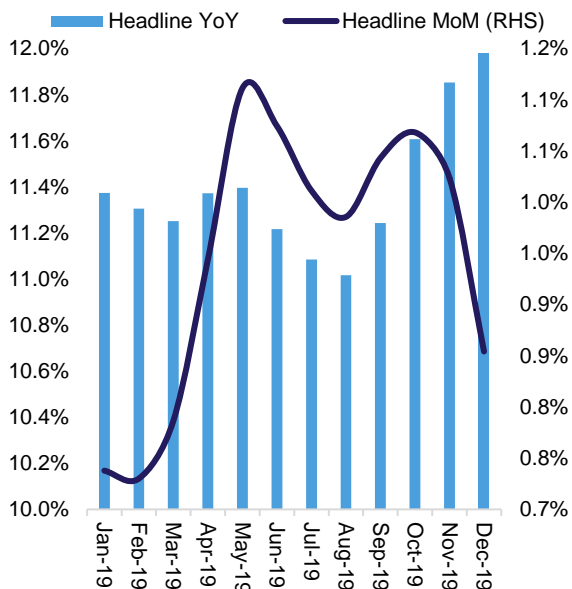


Figure 4: Nigeria YoY and MoM Inflation Trend



Equities

The Nigerian equities market closed the week lower by 2.69% WoW to close at 28,067.09 points with market capitalisation declining by N239 billion. Losses were recorded across most sectors, led by Oil & Gas (-3.0% WoW), Industrial Goods (-2.2% WoW), Consumer Goods (-2.2% WoW) and Banking (-1.5% WoW). However, the insurance index closed higher by 0.2% WoW.

Figure 5: Daily Money Market, FX and Fixed Income Rates

Foreign Exchange rates	31-Jan-20	03-Feb-20	04-Feb-20	05-Feb-20	06-Feb-20	07-Feb-20	WoW % Change
CBN Official	307.00	307.00	307.00	306.95	306.95	306.95	0.02%
NAFEX	363.97	364.17	364.43	364.53	364.17	364.37	-0.11%
BDC	358.50	358.50	358.50	358.50	358.50	358.50	0.00%
Parallel	359.00	359.00	359.00	359.00	359.00	359.00	0.00%
Money Market rates %	31-Jan-20	03-Feb-20	04-Feb-20	05-Feb-20	06-Feb-20	07-Feb-20	WoW Change (bps)
Open Buy Back (OBB)	14.00	16.50	14.50	14.33	6.17	5.50	-850.00
Overnight (O/N)	15.33	17.83	15.33	15.33	7.50	6.33	-900.00
FGN Bonds %	31-Jan-20	03-Feb-20	04-Feb-20	05-Feb-20	06-Feb-20	07-Feb-20	WoW Change (bps)
Jul-21	7.08	7.04	7.02	7.77	7.76	7.35	26.93
Jan-22	7.08	7.04	7.03	7.02	7.01	6.87	-20.72
Apr-23	8.91	8.95	9.38	9.21	9.21	9.16	25.01
Mar-24	9.55	9.42	9.51	9.54	9.70	9.56	0.99
Mar-25	10.09	9.80	9.80	9.85	9.88	9.88	-20.82
Jan-26	9.80	9.80	9.80	9.85	9.88	9.88	8.18
Mar-27	10.54	10.54	10.54	10.54	10.54	10.40	-14.25
Feb-28	10.77	10.77	10.68	10.94	10.94	10.82	5.41
Jul-30	10.89	10.87	10.81	11.03	11.03	10.95	6.15
Jul-34	11.15	11.15	11.18	11.33	11.33	11.33	17.88
Mar-36	11.19	11.12	11.12	11.25	11.25	11.25	6.01
Apr-37	11.23	11.23	11.23	11.35	11.34	11.34	10.88
Apr-49	12.24	12.26	12.27	12.41	12.33	12.32	8.26
T-Bills	31-Jan-20	03-Feb-20	04-Feb-20	05-Feb-20	06-Feb-20	07-Feb-20	WoW Change (bps)
NGOMOB 01/30/20							0.00
NGOMOB 02/27/20	12.98	13.67	13.79	13.66	13.73	13.90	91.79
NGOMOB 03/26/20	12.28	12.26	12.26	13.24	13.23	13.23	95.00
NGOMOB 04/23/20	11.98	12.41	12.53	12.46	12.71	12.34	36.00
NGOMOB 05/28/20	12.45	12.68	12.67	12.82	12.68	12.90	45.00
NGOMOB 06/18/20	12.62	12.82	13.00	13.00	12.72	12.78	16.00
NGOMOB 07/16/21	9.72	9.72	9.71	9.71	13.07	13.09	337.00
NGOMOB 08/27/22	12.98	13.34	13.40	13.41	13.46	13.29	31.00
NGOMOB 09/24/23	13.54	13.91	13.91	13.90	13.90	13.70	16.00
NGOMOB 10/22/20	13.93	13.72	13.71	13.71	14.05	13.95	2.00
NGOMOB 11/17/20	13.90	14.04	14.03	14.03	14.02	14.02	12.00
NGOMOB 12/29/21	14.59	14.29	14.50	14.49	14.09	14.18	-41.00
NIGTB 04/02/20	3.17	3.17	3.17	3.42	3.42	3.42	25.00
NIGTB 07/02/20	3.69	3.69	3.39	3.39	3.39	3.41	-28.00
NIGTB 10/01/20	4.15	4.50	4.02	4.02	4.02	4.21	6.00
NIGTB 11/26/20	4.48	4.48	4.93	4.93	4.93	4.93	45.00

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