

## Weekly Economic and Financial Commentary

### Global Economy

The US economy grew by 2.1% YoY in Q4 2019 (Q3 19: 2.1% YoY) and by 2.3% overall in 2019 (compared to 2.9% for full year 2018), according to the initial estimate released on Thursday by the Commerce Department. The slowdown relative to the prior year largely reflect the fading impact of the fiscal stimulus implemented in 2018 and concerns over global trade, both of which dragged private sector investment (Q4: -6.1%YoY and 1.8% YoY in 2019) and slowed personal consumption expenditure (Q4: -1.8% YoY and 2.6% in 2019). However, increase in public sector consumption (Q4: 2.7% YoY and 2.3% YoY (+1.7% YoY in 2018) and improvement in the external sector (which contributed 1.5% to the GDP growth over Q4) supported growth during the year.

Still in the US, the US Federal Reserves in its first-rate decision of the year voted unanimously to keep the Fed funds target range at 1.50-1.75%, marking the second straight meeting of no change to policy rates after three consecutive reductions in 2019. However, in a largely technical adjustment, the interest rate on excess reserves (the interest rate paid to banks for the deposits they hold with the Federal Reserve above those required by banking regulation) was increased by 5bps to 1.60% to keep Fed funds in the middle of its target range. They also extended repo operations at least through April to prevent dislocation in money markets. Elsewhere, the Bank of England Monetary Policy Committee voted by a majority of 7-2 to maintain the bank rate at 0.75%. The committee also voted unanimously to maintain the stock of corporate bond purchases and UK government bond purchases.

The World Health Organization last week declared the coronavirus a Public Health Emergency of International Concern but the WHO did not recommend any travel or trade restrictions, though the Chinese have imposed extensive travel barriers. Despite the government efforts to isolate the entire province of Hubei, the disruption to economic activity and impact on first-quarter growth figures is expected to be extensive on both the Chinese and global economy if the situation continues to escalate.

Figure 1: Trend in US GDP Growth (YoY %)

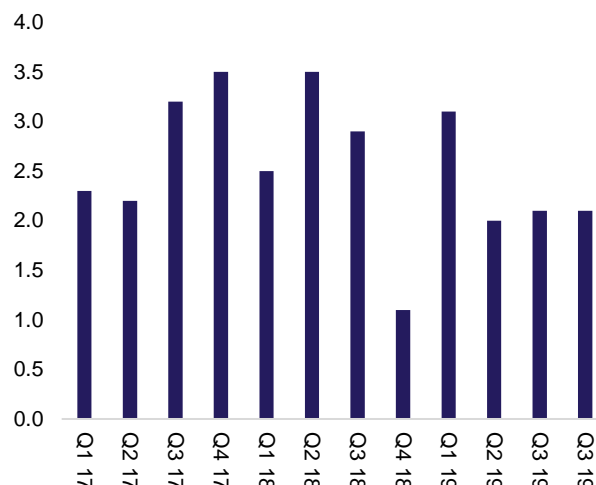
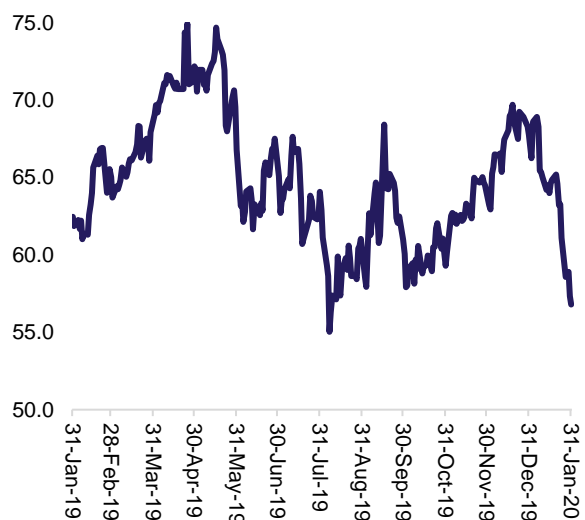


Figure 2: Brent Crude Price Trend (\$/bbl)



Domestic Economy

The National Bureau of Statistics (NBS) last week published Nigeria’s debt stock as at end of September 2019. The data revealed that Nigeria’s debt stock increased over Q3 2019 by 1.8% QoQ (or by N513.3 billion) and 7.5% YoY to N26.21 trillion (\$85.39 billion). Domestic debt which increased by 3% QoQ (or by N564.9 billion) to N17.34 trillion (\$58.45 billion) accounted for the increase in debt stock over Q3 19, while external debt declined over Q3 19 by N51 billion to N8.27 trillion (\$26.94 billion). By proportion, the ratio of domestic and external debt to total debt settled at 68.5% and 31.6% compared to 68.2% and 31.8% at the end of December 2018. In Q3 standalone, the Federal Government spent N752 billion (\$2.4 billion) in servicing domestic (N606 billion or \$1.9 billion) and external debt (\$473 million or N145 billion).

Also, the NBS released the Q3 2019 Internally Generated Revenue (IGR) numbers by state governments last week. Cumulatively, the IGR increased by 17% to N986.29 billion over 9M 19 compared to N843.87 billion in 9M 18. Also, Q3 19 standalone showed an increase by 11% YoY to N293.79 billion compared to N264.38 in Q3 18. Zamfara and Ekiti states recorded over 100% increases when compared to the prior year.

Crude Oil

Despite the consideration by OPEC+ to adopt deeper cuts or extend the current cuts until June, the ravaging impact of the coronavirus in China sent panic across the crude oil market. Brent crude price closed 7% lower WoW to \$56.79/bbl. Also, when compared to the close price of 2019 of \$67.77/bbl, Brent crude price is down 16.2% year to date. The close price is now below the Federal Government of Nigeria 2020 budget benchmark of \$57/barrel.

Foreign Exchange and Reserve

As at Thursday (Jan. 30, 2020), the gross external reserve depleted by \$175.72 million to \$38.06 billion when compared to \$38.23 billion as at Jan. 23, 2020. Year to date, the reserve is down \$539.31 million. The naira depreciated at the I&E window by 34bps WoW to close at N363.97/\$, it however, appreciated at the BDC and Parallel market by 14bps and 28bps to N358.50/\$ and N359.00/\$ respectively.

Fixed Income

The CBN held both NTB and OMO auctions last week. At the NTB auction, the CBN (on behalf of the Debt Management Office) sold a total of N229.6 billion worth of bills. However, subscription was thinned compared to prior auction. As a result, for the first time since the exclusion of corporates and individuals from participating in OMO securities, average stop rates advanced 84bps to 4.83%, with the 1-year rate closing at 6.50% (previous: 5.09%).

Figure 3: Movement in Gross Reserve (\$’Billion)

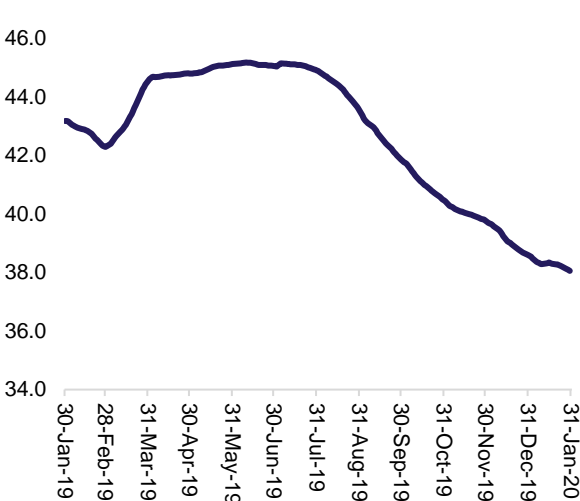
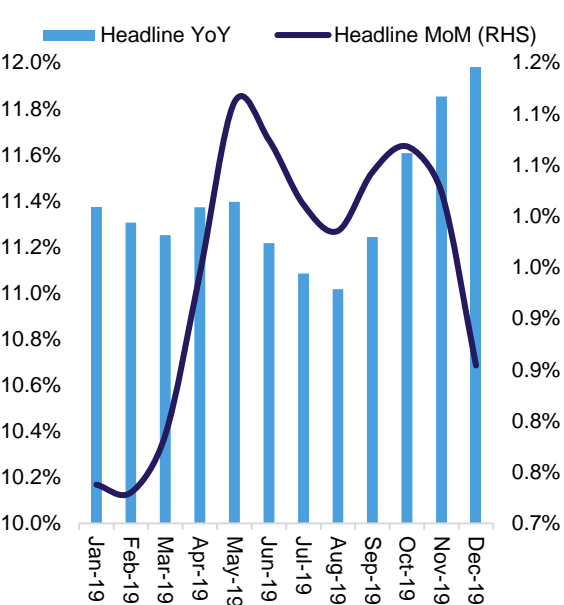


Figure 4: Nigeria YoY and MoM Inflation Trend



At the OMO auction, the CBN offered N200 billion worth of bills. In a slight divergence from the NTB auction, subscription totaled N410 billion, with the 1-year stop rate moderating further by 2bps to 13.09%. At the secondary market, average fixed income yields moderated 2bps WoW to 6.68%. Banks sold off NTB positions during the week to make adequate provisions for possible CRR debits, instead of CBN liquidating OMO positions to meet up with the shortfall. Average NTB yields climbed 20bps WoW to 3.73%. At the long end of the curve, average bond yields declined 25bps to 9.62%.

### Equities

The Nigerian equities market closed the week lower by 2.7% WoW to close at 28,843.53 points with market capitalisation declining by N404.5 billion. Losses were recorded across most sectors – Banking (-6.13%), Cement (-0.90%), Telecom (-2.96%), Personal Care (-13.72%), Food (-0.50%), Oil & Gas (-2.58%), and Real Estate (-0.14%) sectors – save for the Brewers (4.89%) and Construction (2.64%) sectors.

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

Foreign Exchange rates	24-Jan-20	27-Jan-20	28-Jan-20	29-Jan-20	30-Jan-20	31-Jan-20	WoW % Change
CBN Official	306.95	306.95	307.00	307.00	307.00	307.00	-0.02%
NAFEX	362.75	362.94	363.33	363.51	363.60	363.97	-0.34%
BDC	359.00	358.50	358.50	358.50	358.50	358.50	0.14%
Parallel	360.00	359.00	359.00	359.50	359.50	359.00	0.28%
Money Market rates %	24-Jan-20	27-Jan-20	28-Jan-20	29-Jan-20	30-Jan-20	31-Jan-20	WoW Change (bps)
Open Buy Back (OBB)	3.67	9.40	8.42	13.50	4.17	14.00	1033.00
Overnight (O/N)	4.33	10.50	9.25	14.17	5.50	15.33	1100.00
FGN Bonds %	24-Jan-20	27-Jan-20	28-Jan-20	29-Jan-20	30-Jan-20	31-Jan-20	WoW Change (bps)
Jul-21	7.05	7.35	7.18	7.17	7.09	7.08	3.00
Jan-22	8.39	8.37	7.27	7.26	7.25	7.08	-131.00
Apr-23	9.27	9.18	9.13	8.92	8.92	8.91	-36.00
Mar-24	9.66	9.65	9.65	9.65	9.57	9.55	-11.00
Mar-25	10.13	10.10	10.10	10.09	10.09	10.09	-4.00
Jan-26	10.44	10.38	9.83	9.84	9.84	9.80	-64.00
Mar-27	10.75	10.77	10.76	10.76	10.54	10.54	-21.00
Feb-28	10.89	11.11	10.86	10.86	10.77	10.77	-12.00
Jul-30	11.02	11.21	10.99	10.96	10.89	10.89	-13.00
Jul-34	11.30	11.19	11.19	11.19	11.18	11.15	-15.00
Mar-36	11.31	11.43	11.29	11.19	11.19	11.19	-12.00
Apr-37	11.43	11.43	11.23	11.23	11.23	11.23	-20.00
Apr-49	12.49	12.48	12.41	12.31	12.26	12.24	-25.00
T-Bills	24-Jan-20	27-Jan-20	28-Jan-20	29-Jan-20	30-Jan-20	31-Jan-20	WoW Change (bps)
NGOMOB 02/27/20	12.38	13.20	12.82	12.90	12.99	12.98	60.00
NGOMOB 03/26/20	12.72	12.54	12.54	12.26	12.28	12.28	-44.00
NGOMOB 04/23/20	11.86	12.71	12.53	12.20	12.07	11.98	12.00
NGOMOB 05/28/20	12.72	12.84	12.83	12.54	12.47	12.45	-27.00
NGOMOB 06/18/20	12.32	12.82	12.89	12.92	12.85	12.62	30.00
NGOMOB 07/16/21	11.89	11.91	11.03	9.73	9.73	9.72	-217.00
NGOMOB 08/27/22	13.16	13.59	13.34	13.33	13.33	12.98	-18.00
NGOMOB 09/24/23	13.55	14.11	13.89	13.79	13.78	13.54	-1.00
NGOMOB 10/22/20	13.77	13.92	13.81	13.80	13.93	13.93	16.00
NIGTB 04/02/20	2.01	3.23	3.23	3.23	3.22	3.17	116.00
NIGTB 07/02/20	3.52	3.52	3.52	3.52	3.62	3.69	17.00
NIGTB 10/01/20	4.32	4.30	4.11	4.11	4.15	4.15	-17.00

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