

Weekly Economic and Financial Commentary

Global Economy

In another surprise move, the US Federal Open Market Committee (FOMC) over the weekend cut the fed funds rate by 100bps to a range of 0-0.25%, which will be maintained until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals. It also plans to increase its holdings of Treasury securities by at least \$500 billion and its holdings of agency mortgage-backed securities by at least \$200 billion.

The Bank of England (BoE) monetary policy committee last week voted unanimously to reduce the bank rate by 50bps to 0.25% last week, introduced a new Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) and maintained the stock of sterling non-financial investment-grade corporate bond and UK government bond purchases at £10 billion and £435 billion respectively. To allow a quick transmission of the rate cut and support further the ability of banks to supply credit, the Financial Policy Committee (FPC) reduced the UK countercyclical capital buffer rate to 0% of banks' exposures. The release of the countercyclical capital buffer will support up to £190 billion of bank lending to businesses, which is equivalent to 13x banks' net lending to businesses in 2019. The UK Chancellor last week announced a fiscal stimulus totaling £30 billion, including welfare and business support, sick-pay changes and local assistance.

At the end of its meeting last week, the European Central Bank maintained interest rate on the main refinancing operations, marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.50% respectively. It however introduced additional longer-term refinancing operations (LTROs) to provide immediate liquidity support to the euro area financial system, a temporary envelope of additional net asset purchases of €120 billion in combination with the existing asset purchase programme (APP) and reinvestments of the principal payments from maturing securities purchased under the APP in full for an extended period of time.

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

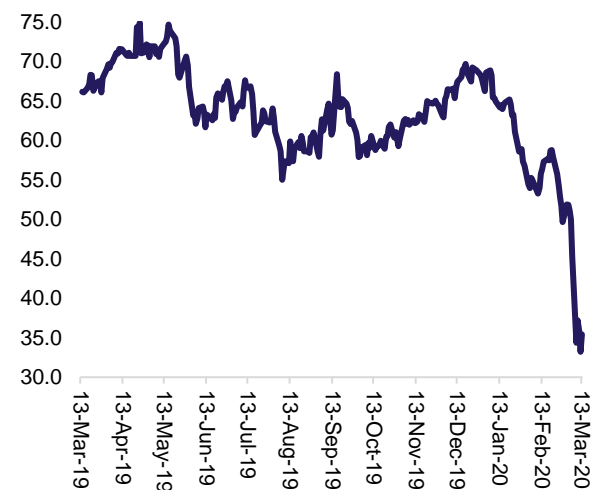
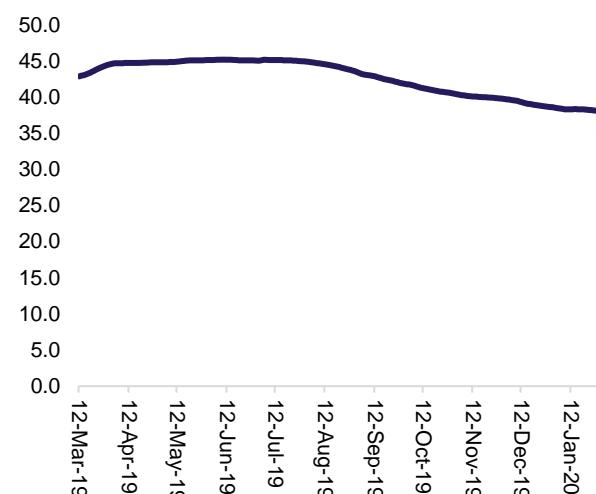


Figure 2: Movement in Gross Reserve (\$Bn)



Domestic Economy

Following the spate of speculative attacks on the currency and panic accumulation of FX, the CBN last week released a circular stating the size of Nigeria's foreign exchange reserves remains robust and comfortable, given the current realities of Nigeria's genuine and legitimate FX demand. The circular also stated that the CBN is also working with the fiscal authorities to properly and accurately dimension the immediate and expected impact of the Coronavirus in order to respond comprehensively and at the same time, ensure a sound and stable financial system conducive for job creation and inclusive growth. In all, the CBN stated that given current circumstances and macroeconomic fundamentals that it has not devalued the Naira and will invoke the full weight of applicable sanctions on any persons and authorized dealers found to be involved in such disruptive and speculative market behavior.

Crude Oil

At the close of last week, Brent oil price plunged 22% WoW to \$35.44/bbl, the lowest level last seen in April 2016. The close price represents a year to date decline of 48% and is 38% below the Federal Government of Nigeria 2020 budget benchmark of \$57/barrel. The OPEC Monthly Oil Market Report for March released last week showed that the cartel's production declined by 548,000bpd in February to 27.77mbpd (excluding condensates) compared to a decline of 553,000bpd in January, according to secondary sources. Also, EIA's March Short Term Energy Outlook expects the balance of demand and supply to push Brent crude oil price to an average of \$43/barrel in 2020, down from a forecast of \$65/barrel in the January.

Foreign Exchange and Reserve

As at Thursday (Mar. 12, 2020), the gross external reserve depleted by \$61.67 million to \$36.16 billion when compared to \$36.22 billion as at Mar. 05, 2020. Year to date, the reserve is down \$2.44 billion. The naira depreciated at the I&E Window, parallel market and BDC segment by 60bps, 4.9% and 1.78% WoW to close at N368.47/\$, N377.50/\$, and N365.00/\$ respectively. The 6-months and 12-months forward points declined by N3.74 and N8.32 to N389.84/\$ and N419.48/\$ respectively.

Fixed Income

At last week's NTB, compared to the N86.3 billion offering by the CBN (on behalf of DMO), subscription was N243 billion and the apex bank sold exactly what it offered. Average rate at the auction declined by 37bps relative to the last auction to close at 5.3%, with the 1yr stop rate firming by 40bps to 5.3%. At the secondary market, average fixed income yields expanded by 42bps to 7.66% following sell-off at the long end of the curve.

Figure 3: Movement in Forward Points (N/\$)

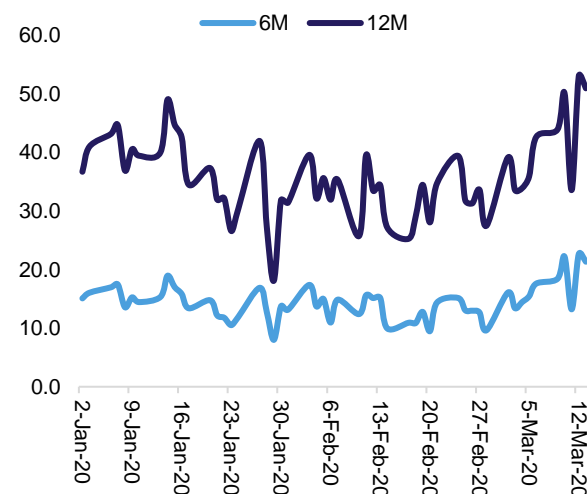
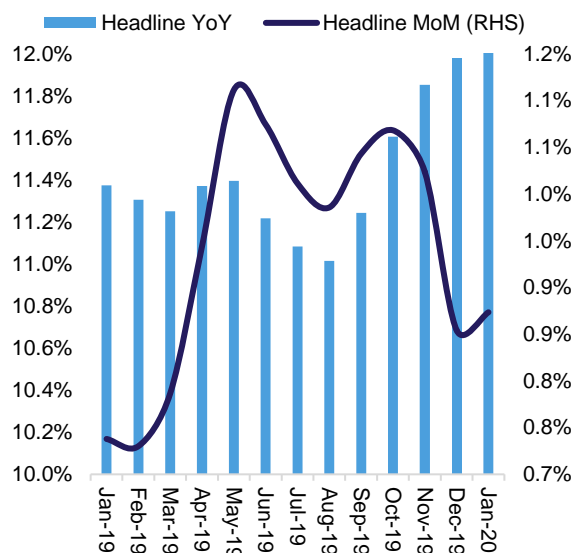


Figure 4: Nigeria YoY and MoM Inflation Trend



Average bond yields surged 97bps to 11.45% following sell-off of the March-2027 (+345bps), April-2028 (+228bps) and Jan-2022 (+210bps) notes. On the short end, NTB yields traded flat at 4.00%.

Equities

The Nigerian equities market closed last week declined by 13.49% WoW to close at 22,733.35 points with the market capitalization closing the week at N11.8 trillion. Losses were recorded across sectors, led by Banking (-26.8%), Consumer Goods (-14.9%), Oil & Gas (-7.1%), Industrial (-5.7%), and Insurance (-5.1%) indices.

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

Foreign Exchange rates	06-Mar-20	09-Mar-20	10-Mar-20	11-Mar-20	12-Mar-20	13-Mar-20	WoW % Change
CBN Official	307.00	307.00	306.95	306.95	306.95	306.95	0.02%
NAFEX	366.25	366.71	366.75	368.33	374.00	368.47	-0.60%
BDC	358.50	358.50	359.00	363.50	370.00	365.00	-1.78%
Parallel	359.00	359.00	361.00	365.00	380.00	377.50	-4.90%
Money Market rates %	06-Mar-20	09-Mar-20	10-Mar-20	11-Mar-20	12-Mar-20	13-Mar-20	WoW Change (bps)
Open Buy Back (OBB)	11.71	15.50	13.80	12.83	3.29	9.17	-254.76
Overnight (O/N)	12.86	16.42	14.40	13.83	4.00	10.08	-277.38
FGN Bonds %	06-Mar-20	09-Mar-20	10-Mar-20	11-Mar-20	12-Mar-20	13-Mar-20	WoW Change (bps)
Jul-21	6.08	6.04	7.35	7.33	7.02	7.35	127.00
Jan-22	6.87	7.15	7.14	9.27	9.26	9.25	237.81
Apr-23	8.73	8.84	8.54	9.42	9.84	9.42	69.07
Mar-24	10.04	10.03	9.53	9.53	10.46	9.53	-50.76
Mar-25	10.38	12.80	12.80	12.80	12.80	12.80	241.62
Jan-26	10.38	12.80	12.80	12.80	12.80	12.80	241.62
Mar-27	10.60	10.60	10.60	10.59	13.79	14.05	345.13
Feb-28	11.25	11.25	11.25	12.75	12.74	12.75	150.05
Jul-30	10.81	10.81	10.81	10.81	10.81	10.81	0.04
Jul-34	11.28	11.28	12.03	11.80	12.68	11.80	52.18
Mar-36	11.47	11.47	12.00	12.02	12.33	12.02	54.15
Apr-37	10.62	11.56	12.08	12.12	12.41	12.18	156.15
Apr-49	12.56	12.56	12.99	13.31	13.28	13.96	140.94
T-Bills	06-Mar-20	09-Mar-20	10-Mar-20	11-Mar-20	12-Mar-20	13-Mar-20	WoW Change (bps)
NGOMOB 01/30/20							0.00
NGOMOB 02/27/20							0.00
NGOMOB 03/26/20	11.18	11.17	11.17	14.47	14.53	19.34	815.84
NGOMOB 04/23/20	11.47	14.76	14.76	16.70	16.69	16.69	521.66
NGOMOB 05/28/20	11.07	11.65	14.58	14.57	14.57	16.62	554.73
NGOMOB 06/18/20	13.30	13.28	13.28	13.27	16.17	13.26	-3.38
NGOMOB 07/16/20	13.33	14.00	13.99	13.99	16.82	13.98	64.66
NGOMOB 08/27/20	13.54	13.52	13.52	13.51	18.02	13.50	-3.50
NGOMOB 09/24/20	13.66	13.64	13.64	13.63	18.45	19.15	549.57
NGOMOB 10/22/20	13.80	16.99	16.99	16.98	18.77	19.79	599.32
NGOMOB 11/17/20	13.80	16.93	16.92	16.91	16.90	16.90	310.07
NGOMOB 12/29/20	14.21	16.10	16.10	16.09	16.08	16.07	186.17
NGOMOB 01/19/21	14.48	17.01	17.01	17.00	16.99	16.98	250.71
NIGTB 04/02/20	3.97	3.97	3.97	3.97	3.97	3.97	-0.30
NIGTB 07/02/20	3.03	3.03	3.03	3.03	3.03	4.20	117.37
NIGTB 10/01/20	3.93	3.92	3.92	3.92	3.92	3.61	-31.86
NIGTB 11/26/20	4.01	4.01	4.01	4.01	4.01	3.77	-24.41
NIGTB 01/14/21	4.14	4.14	4.14	4.14	4.14	4.14	-0.33

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