

Weekly Economic and Financial Commentary

Global Economy

Data released last week showed that initial jobless claims (or the number of people filing for unemployment benefits) increased to record high of 3.28 million (compared to 282,000 in the previous week) reflecting the magnitude of the impact of COVID-19. In a bid to ameliorate the ravaging impact of Covid-19 on businesses and individuals, President Trump on Friday signed the \$2 trillion fiscal stimulus package. The package provides ~\$500 billion in loans for major companies, including \$62 billion for the airline sector, as well as cities and states burdened by the outbreak of the virus. Similarly, the Bank of Canada lowered its overnight rate to 0.25% and launched a weekly government bond purchases program. The BoC will purchase a minimum of \$5 billion of Government securities every week, which will be adjusted as needed and will continue until the economic recovery is well underway.

The Eurozone and US economy suffered unprecedented collapse in business activity in March as the coronavirus outbreak intensified. Recently released March PMI data showed both the Eurozone and US composite PMI declined to 31.4 and 40.5 from 51.6 and 49.6 points in February respectively. The Eurozone services PMI witnessed a material shock, with the number falling to an historic low of 28.4 from 52.4 in February, while the US services number also declined to 39.1 from 49.4 in February. Also reflecting the shutdown of industrial activities, the manufacturing PMI in the Eurozone and US also declined 44.8 and 49.2 points in March from 49.2 and 50.7 points in February respectively.

Domestic Economy

The Monetary Policy Committee of the CBN at the end of its meeting on Tuesday acknowledged the inability of traditional monetary policy tools in dealing with pending economic pressures occasioned by the outbreak of Covid-19 and the ongoing OPEC+ rift. As a result, the MPC voted to retain all policy parameters. The committee noted that increasing the MPR will be contradictory to the recent reduction of interest rates in the CBN intervention windows from 9% to 5% and will be taken by the Deposit Money Banks as an invitation to increase lending rates. On the other hand, a reduction in the MPR, will not encourage the DMBs to reduce lending rates.

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

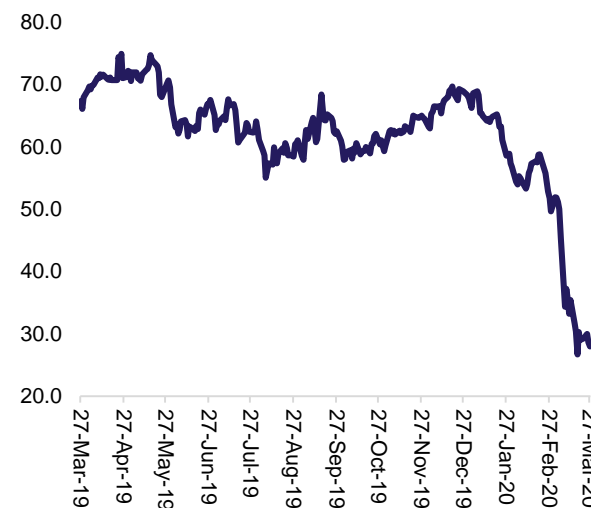
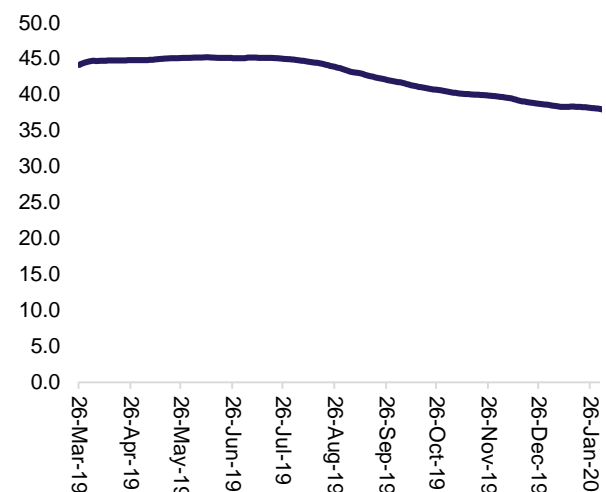


Figure 2: Movement in Gross Reserve (\$Bn)



The Finance Minister presented a revised version of the budget to the National Assembly on Wednesday. In the revised framework, a lower oil price of \$30/barrel was adopted from \$57/barrel approved in December 2019. Also, she noted adjustments to non-oil revenue with the major change emanating from expected Customs revenue (from N1.5 trillion to N943 billion) and cut in income from planned privatization of some assets by 50%. Also, expenditure cut of N1.5 trillion was announced without clear guidance on the affected expenditure lines.

S&P Global Ratings lowered its long-term foreign- and local-currency sovereign credit ratings on Nigeria to B- from B, and affirmed its B short-term sovereign credit ratings. The agency also cut Nigeria's long-term national scale rating to ngBBB from ngA-, and affirmed the ngA-2 short-term rating. The rating agency stated that Nigeria's external and fiscal positions are expected to be negatively affected by lower oil prices in the near term, given that the country's reliance on oil revenue is still high and predicted that the country's foreign-exchange reserve levels will likely come under pressure.

Crude Oil

Crude Oil prices declined further by 3.62% last week following increasing near-lockdown of major economies in response to the COVID-19 pandemic with attendant impact on crude oil demand. Reflecting the declining demand, it was reported that Nigeria discounted its primary crude grades Qua Iboe and Bonny Light at a \$3/barrel discount to dated Brent. The close price of \$27.95/barrel on Friday represents a year to date decline of 58.8% and is 6.8% below the Federal Government of Nigeria 2020 revised budget benchmark of \$30/barrel. It is worthy of note that the initial 1.7mbpd output cut ends in March 2020, without any replacement agreement in place.

Foreign Exchange and Reserve

The Central Bank of Nigeria last week announced a temporary suspension of FX sales to Bureau De Change operators. The circular announcing the action stated limited demand given the reduced travel demand occasioned by Covid-19. The Naira depreciated across markets in the prior week, following rising demand for FPI repatriation at the Investors and Exporters Window, and the increasing speculative demand at the parallel market. The NAFEX and parallel market rates depreciated by 2.5% and 6.8% to N385.5/\$ and N402.5/\$ respectively. The 6-months and 12-months forward points appreciated by N5.95 and N8.28 to N411.90/\$ and N448.79/\$ respectively. As at Thursday (Mar. 26, 2020), the gross external reserve depleted by \$352.34 million to \$35.59 billion when compared to \$35.94 billion as at Mar. 19, 2020. Year to date, the reserve is down \$3.01 billion compared to cumulative depletion of \$4.52 billion in 2019.

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

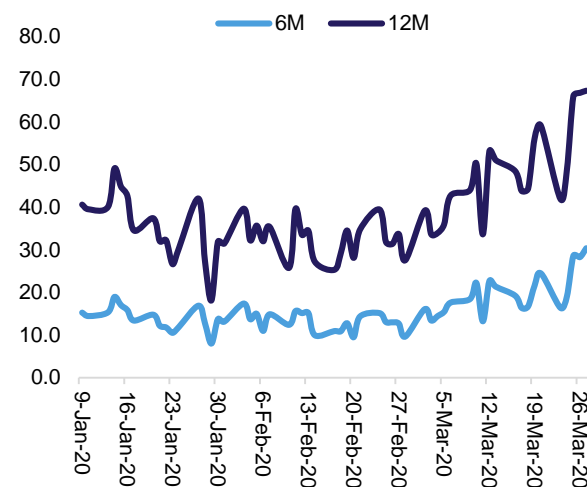
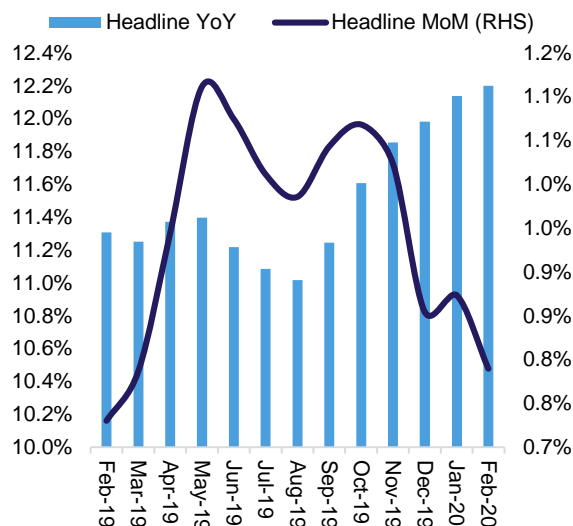


Figure 4: Nigeria YoY and MoM Inflation Trend



Fixed Income

At last week's bond auction, while the debt management Office offered N50 billion, subscription was strong at N181.2 billion. Irrespective, the DMO sold exact amount offered, with two new issuances (March-2035 and March-2050 at respective stop rates of 12.5% and 12.98%) and reopening of the April-2023 (with increase in stop rate by 125bps to 10%). At the secondary market, average fixed income yields moderated by 13bps WoW to 7.69% following demand at the short end of the curve. NTB yields declined by 31bps to 3.70% following demand across all tenors. On the other hand, the sell off on the long end of the curve persisted with average bond yields expanding 5bps WoW to 11.67% following selloff in the March-2024 (+165bps) and July-2034 (+58bps), both of which outweighed demand for the Jan-2022 (-98bps) and July-2021 (-54bps).

Equities

The Nigerian equities market closed last week lower by 1.52% WoW to 21,861.78 points with the market capitalization closing at N11.4 trillion. Consequently, the month-to-date and year-to-date losses widened to -15.3% and -18.6% respectively. The losses last week were driven by the Consumer Goods (-8.1%), Oil and Gas (-2.2%) and Industrial Goods (-0.5%) sectors, which submerged gains in Insurance (+3.3%) and Banking (+2.1%) indices.

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

Foreign Exchange rates	20-Mar-20	23-Mar-20	24-Mar-20	25-Mar-20	26-Mar-20	27-Mar-20	WoW % Change
CBN Official	361.00	360.00	361.00	361.00	361.00	361.00	0.00%
NAFEX	372.00	380.75	380.53	380.25	385.53	381.50	-2.49%
BDC	371.50	375.00	375.00	375.00	375.00	375.00	-0.93%
Parallel	375.00	399.00	395.00	395.00	395.00	402.50	-6.83%
Money Market rates %	20-Mar-20	23-Mar-20	24-Mar-20	25-Mar-20	26-Mar-20	27-Mar-20	WoW Change (bps)
Open Buy Back (OBB)	4.80	6.00	4.83	3.00	2.70	15.80	1100.00
Overnight (O/N)	5.30	6.93	5.25	3.50	3.30	17.10	1180.00
FGN Bonds %	20-Mar-20	23-Mar-20	24-Mar-20	25-Mar-20	26-Mar-20	27-Mar-20	WoW Change (bps)
Jul-21	6.84	6.79	6.78	6.28	6.56	6.30	-53.43
Jan-22	8.55	8.52	8.51	8.50	7.81	7.57	-98.11
Apr-23	10.78	10.95	10.81	11.05	10.73	10.55	-22.94
Mar-24	9.51	11.53	11.43	11.60	11.32	11.16	164.75
Mar-25	12.75	12.75	12.75	12.75	12.75	12.24	-50.56
Jan-26	12.75	12.75	12.75	12.75	12.75	12.24	-50.56
Mar-27	12.68	12.76	12.76	12.76	12.75	12.75	6.92
Feb-28	12.95	12.95	13.11	12.96	12.96	12.90	-4.62
Jul-30	12.77	12.77	12.91	12.91	12.91	13.02	24.95
Jul-34	12.65	12.65	13.23	13.23	13.23	13.23	57.57
Mar-36	12.95	12.95	13.20	13.20	12.98	12.98	2.74
Apr-37	13.15	13.15	13.15	13.15	13.15	12.98	-16.64
Apr-49	13.04	13.20	13.20	13.15	13.07	13.01	-2.68
T-Bills	20-Mar-20	23-Mar-20	24-Mar-20	25-Mar-20	26-Mar-20	27-Mar-20	WoW Change (bps)
NGOMOB 04/23/20	14.72	14.71	14.70	14.69	14.69	14.68	-4.15
NGOMOB 05/28/20	14.94	14.92	14.91	14.90	14.90	14.89	-4.27
NGOMOB 06/18/20	13.23	15.36	15.27	13.74	13.74	13.10	-13.08
NGOMOB 07/16/20	13.94	15.96	15.91	14.96	14.35	13.96	1.94
NGOMOB 08/27/20	15.94	16.92	16.92	16.91	15.33	15.33	-61.62
NGOMOB 09/24/20	17.15	17.12	16.31	16.30	15.75	15.74	-140.84
NGOMOB 10/22/20	17.28	17.25	16.92	16.48	16.48	15.46	-182.09
NGOMOB 11/17/20	16.61	16.59	16.58	16.80	16.82	15.49	-111.54
NGOMOB 12/29/20	17.25	17.23	17.22	17.21	16.48	16.55	-69.82
NGOMOB 01/19/21	17.05	17.56	17.54	17.47	17.09	15.81	-123.83
NIGTB 04/02/20	3.97	3.96	3.96	3.96	3.96		-396.56
NIGTB 07/02/20	3.36	2.31	2.31	2.42	2.21	2.21	-114.79
NIGTB 10/01/20	4.63	3.21	3.21	3.21	3.99	3.99	-63.82
NIGTB 11/26/20	3.73	3.73	3.73	3.73	3.73	4.25	52.32
NIGTB 01/14/21	4.14	4.13	4.13	4.13	4.13	4.53	38.93

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