

## Weekly Economic and Financial Commentary

### Global Economy

The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) for China released last week came in at 40.3 for February, the lowest reading since the survey was launched in early 2004. The numbers come as China continues to grapple with the fast-spreading coronavirus outbreak that has killed more than 2,900 people and infected at least 80,000 others in the mainland. The gauge for new export orders remained in negative territory and slumped to its lowest point since January 2009. Also, China's official Purchasing Managers' Index (PMI) fell to a record low of 35.7 in February from 50.0 in January, according to the National Bureau of Statistics. Production, New orders, raw materials inventory, employment and supplier distribution time indices all declined in February. Official data showed that only about 30% of China's small- and medium-sized companies had resumed production as of Wednesday last week. Some firms that have restarted work are reportedly running below normal capacity. Small-and-mid-size firms account for more than 80% of nationwide employment and over 60% of gross domestic product.

Following escalation of the coronavirus, global equities markets took a dip last week, recording the worst week since the 2008 global financial crisis. US (DJIA: -11.1%; S&P: -10.8%) and European (Euro Stoxx: -11.6%; FTSE 100: -10.8%) shares took losses. In Asia, Japanese (Nikkei 225: -9.6%) stocks suffered their largest weekly decline in four years, while Chinese (CSI 300: -5.0%) stocks suffered their largest weekly fall since last April. Emerging markets (MSCI EM: -4.9%) and Frontier markets (MSCI FM: -2.6%) also saw material declines, with significant losses in China (-5.0%) and Vietnam (-5.5%).

### Domestic Economy

Data released last week showed real GDP in Nigeria grew by 2.6% YoY in the fourth quarter of 2019. Not only was the outturn for Q4 higher than consensus forecast, as well as our own projection of 2.3%, but it is 27bps ahead of the YoY growth rate of 2.3% posted in Q3 19. The outing in Q4 relative to the prior quarter largely reflects stronger growth in services (contributed 1.5% to overall growth in Q4), manufacturing and resilient growth in both the agriculture and oil sector. On balance, Nigeria posted 2.3% YoY growth in full year 2019, reflecting improvement in the services, crude oil and agriculture sectors. On an attribution basis, the services sector contributed 1.2% to overall growth in 2019, with composition to GDP improving to 37% from 36% in 2018.

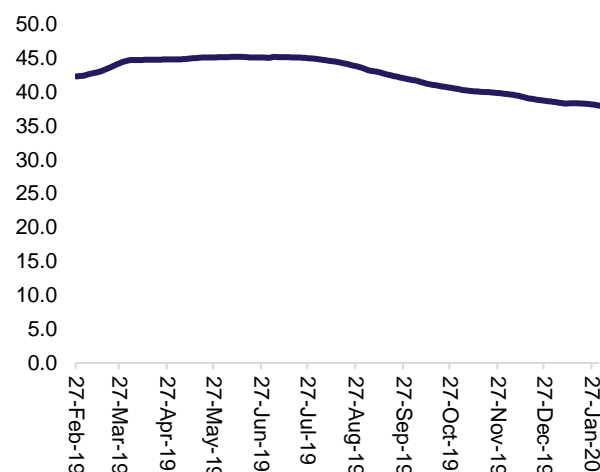
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Figure 1: Brent Crude Price Trend (\$/bbl)



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



### Crude Oil

Oil prices moved sharply lower last week following renewed focus on demand destruction following a flurry of new coronavirus cases outside of China. Globally, 84,161 cases of Covid-19 have been confirmed in 59 countries as of Friday, according to University of Virginia data. While the overall number of new cases continues to fall, the growth rate outside of China accelerated last week, with major outbreaks emerging in South Korea, Italy, and Iran. As a result, Brent oil price plunged 14% WoW to \$49.67/bbl, the lowest level last seen in August 2017. The close price represents a year to date decline of 27% and is 13% below the Federal Government of Nigeria 2020 budget benchmark of \$57/barrel. OPEC+ meets this week in a scheduled meeting to decide on supply policy. Going by the recommendation of the Joint Technical Committee it is expected that the group will vote to cut global output by an additional 600,000 barrels a day beginning in April.

### Foreign Exchange and Reserve

As at Thursday (Feb. 27, 2020), the gross external reserve depleted by \$366.68 million to \$36.33 billion when compared to \$36.69 billion as at Feb. 20, 2020. Year to date, the gross external reserve is down \$2.27 billion. The naira depreciated at the I&E window by 27bps WoW to close at N365.25/\$, while it remained flat at the BDC and parallel market at N358.50/\$ and N359.00/\$ respectively. The 6-months and 12-months forward points declined by N4.72 and N7.21 to N374.91/\$ and N392.79/\$ respectively.

### Fixed Income

The CBN held both NTB and OMO auctions last week. At the NTB auction, the CBN (on behalf of the DMO) offered securities worth N104 billion, with subscription coming as high as N261.5 billion. Irrespective, the CBN only allotted the offered amount, with average stop rate declining by 28bps to 4.23%. At the OMO auction, compared to the N350 billion offering by the CBN, subscription was high at N545.23 billion reflecting total maturity of N927 billion. The apex bank sold N480 billion, with the 1yr stop rate declining further by 2bp to 13.00%. At the secondary market, average fixed income yields contracted 28bps to 6.53% following interest in the short tenor bonds, which outweighed sell-off in the treasury bills. Average bond yields declined 70bps to 9.05% following demand for the March-2025 (-170bps), March-2024 (-131bps) and April-2023 (-108bps). NTB yields increased 14bps WoW to 4.01% due to selloffs at the long end. Also, interbank rates surged last week to average 15.96% (compared to average of 2.61% prior to Friday and 3.56% in the prior week) on Friday. This trailed unusual debits by CBN in the form of CRR to the tune N700 billion to mop-up liquidity following treasury assets maturity of N1.03 trillion.

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

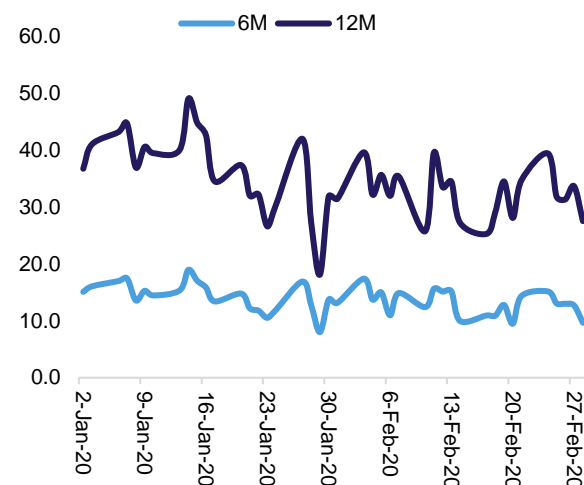
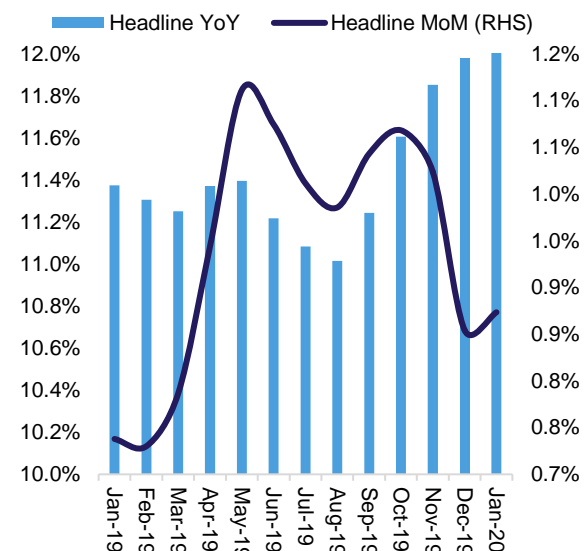


Figure 4: Nigeria YoY and MoM Inflation Trend



### Equities

Similar to the trend across global equities market, the Nigerian equities market closed last week lower by 4.3% WoW to close at 26,216.46 points following announcement of a confirmed coronavirus in Lagos. Losses were recorded across most sectors; Banking (-11.8%), Insurance (-8.2%), Consumer Goods (-3.8%), and Oil & Gas (-2.1%). The Industrial Goods (+1.1%) was the sole gainer on interest in BUACEMENT (+1.92%).

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

Foreign Exchange rates	21-Feb-20	24-Feb-20	25-Feb-20	26-Feb-20	27-Feb-20	28-Feb-20	WoW % Change
CBN Official	307.00	306.95	306.95	306.95	306.95	306.95	0.02%
NAFEX	364.26	365.36	365.33	365.52	365.22	365.25	-0.27%
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 %	21-Feb-20	24-Feb-20	25-Feb-20	26-Feb-20	27-Feb-20	28-Feb-20	WoW Change (bps)
Open Buy Back (OBB)	3.00	2.40	2.29	2.40	2.00	15.50	1250.00
Overnight (O/N)	3.83	3.30	3.07	2.90	2.50	16.42	1258.33
FGN Bonds %	21-Feb-20	24-Feb-20	25-Feb-20	26-Feb-20	27-Feb-20	28-Feb-20	WoW Change (bps)
Jul-21	6.86	6.93	6.38	6.11	6.09	6.45	-41.36
Jan-22	7.56	7.53	7.52	6.39	6.35	6.60	-96.34
Apr-23	8.03	7.65	7.05	7.05	6.96	6.95	-107.34
Mar-24	8.68	8.08	7.35	7.35	7.35	7.37	-130.84
Mar-25	9.52	9.36	8.94	8.94	8.66	8.66	-86.19
Jan-26	9.52	9.36	8.94	8.94	8.66	8.66	-86.19
Mar-27	10.22	10.22	10.22	9.72	9.94	9.94	-28.59
Feb-28	10.65	10.14	10.14	10.14	10.14	9.95	-70.06
Jul-30	10.71	10.31	10.21	10.07	10.08	10.08	-63.11
Jul-34	10.89	10.64	10.37	10.36	10.36	10.36	-52.94
Mar-36	10.84	10.72	10.37	10.27	10.22	10.73	-10.96
Apr-37	11.01	10.75	10.75	10.75	10.75	10.62	-39.06
Apr-49	12.08	11.95	11.91	11.92	11.93	12.00	-8.61
T-Bills	21-Feb-20	24-Feb-20	25-Feb-20	26-Feb-20	27-Feb-20	28-Feb-20	WoW Change (bps)
NGOMOB 03/26/20	11.87	11.86	11.85	8.99	9.37	9.37	-249.98
NGOMOB 04/23/20	11.26	11.25	9.62	9.62	9.62	9.61	-164.81
NGOMOB 05/28/20	9.01	9.00	8.58	8.58	8.63	8.63	-38.09
NGOMOB 06/18/20	10.49	10.47	10.57	10.76	10.62	10.61	11.87
NGOMOB 07/16/20	11.48	11.46	10.07	10.07	10.07	10.06	-141.59
NGOMOB 08/27/20	11.90	11.89	11.74	11.47	11.23	11.23	-67.55
NGOMOB 09/24/20	11.96	11.73	11.80	11.80	11.79	11.79	-17.14
NGOMOB 10/22/20	12.18	11.94	11.81	11.81	11.80	11.80	-38.47
NGOMOB 11/17/20	12.35	11.57	11.53	11.55	11.55	11.55	-79.87
NGOMOB 12/29/20	12.80	12.11	11.93	12.29	12.11	12.10	-69.93
NGOMOB 01/19/21	13.89	13.87	12.52	12.52	12.51	12.51	-137.98
NIGTB 04/02/20	3.98	3.98	3.98	3.98	3.98	3.98	-0.30
NIGTB 07/02/20	3.03	3.03	3.03	3.03	3.03	3.03	-0.18
NIGTB 10/01/20	4.10	4.10	4.10	4.10	4.10	4.10	-0.32
NIGTB 11/26/20	4.75	5.61	4.84	4.84	4.86	4.86	10.51
NIGTB 01/14/21	5.34	6.35	5.24	5.24	5.24	5.24	-10.95

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