

Weekly Economic and Financial Commentary

Global Economy

The U.S Federal Reserve last week announced a raft of measures to assist households, businesses, state and local governments in response to the economic fallout of the COVID-19 outbreak. The Fed estimates that the programs will provide an additional \$2.3 trillion worth of financial support. The most important new measure is the Main Street Lending Program, which is expected to make four-year loans to businesses that have up to 10,000 employees or revenues of less than \$2.5 billion. The Fed will also bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP) and help state and local governments manage cash flow stresses by establishing a Municipal Liquidity Facility that will offer up to \$500 billion in lending.

China and US released March Consumer Price Index last week. For China, the inflation rate expanded at a slower rate of 4.3% YoY in March (5.2% YoY in February) following deflation in the month of March, with the consumer price index declining 1.2% MoM (+0.8% MoM in February). The softened price level during the month emanated from weak oil prices and suppressed demand due to drastic coronavirus measures. In the US, consumer prices rose 1.5% YoY in March (from 2.3% in February) following deflation during the month of March of 0.4%. A sharp decline in the gasoline index was a major cause of the monthly decrease, coupled with decreases in airline fares, lodging away from home, and apparels. While the food index rose in March by 0.3%, it was more than outweighed by the decline in the energy index by 5.8%.

Domestic Economy

The Finance Minister in a press briefing last week unveiled the budget augmentation borrowing of \$6.9 billion. Breakdown revealed the Federal Government is willing to borrow a total of \$3.4 billion from the IMF (under the Rapid Financing Instrument), \$2.5 billion from the World Bank and \$1 billion from the AfDB. According to the IMF, the fund will be deployed for the country to address urgent balance of payments needs and support policies that would make it possible to direct funds for priority health expenditures and protect the most vulnerable people and firms.

Also, the Debt Management Office (DMO) in its recently released Q2 bond calendar, is seeking approval to raise the N850 Billion approved as external borrowing in the budget from the domestic market. To provide immediate

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

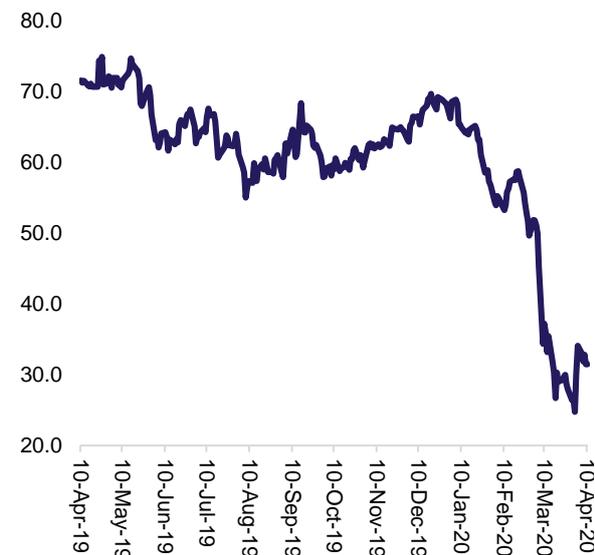
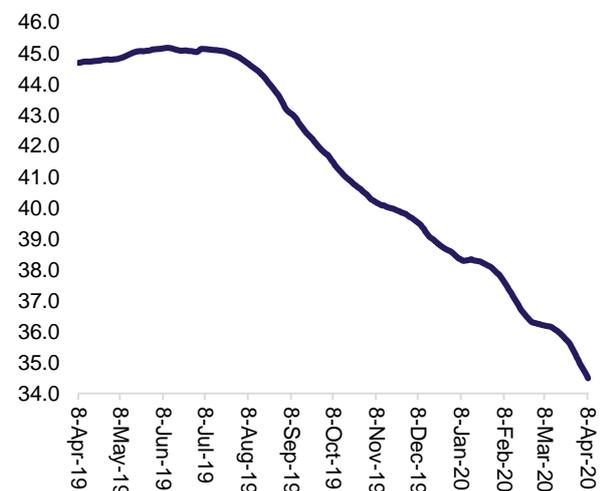


Figure 2: Movement in Gross Reserve (\$Bn)



support to states, the government plans to withdraw \$150 million from the Nigeria Sovereign Investment Authority ('NSIA') Stabilization Fund to support the June 2020 Federation Account Allocation Committee (FAAC) disbursement. Also, to support the cash flow of state governments, debt and interest moratorium for States FGN and CBN-funded loans is to be effected.

Crude Oil

Crude oil prices closed lower last week by 7.7% to \$31.48/barrel as the economic disruptions of Covid-19 continued to take a toll on crude oil demand. In response to the drifting demand, OPEC+ adopted a production cut of 9.7mbpd starting from May to June and a tiered reduction into 2022 (7.7mbpd cut from July to December 2020 and 5.8mbpd cut from January 2021 until April 2022) in a meeting that lasted until Sunday evening. In the midst of the OPEC+ negotiation, G20 producers also agreed to support the market rebalancing through production declines and stockpiling. Also, beyond the stipulated cuts, Saudi Arabia, Kuwait and the UAE expressed readiness to implement additional voluntarily cuts which would result in effective OPEC+ reduction by 12.5mbpd from May-June. As a result, the weekend-long agreement between OPEC+ and G20 producers is expected to usher in about 19-20mbpd cut in production from May-June. At the end of trading on Monday, Brent prices appreciated 2.5% compared to the close price on Friday. The close price yesterday of \$32.25/barrel represents a year to date decline of 52.4% and is 7.5% above the Federal Government of Nigeria 2020 revised budget benchmark of \$30/barrel.

Foreign Exchange and Reserve

As at Wednesday (Apr. 8, 2020), the gross external reserve depleted by \$483 million to \$34.49 billion when compared to \$34.98 billion as at Apr. 2, 2020. Year to date, the reserve is down \$4.10 billion. The naira appreciated at the I&E window by 0.98% WoW to N384.83/\$ and weakened at the parallel market by 0.61% to N412.50/\$. The 6-months and 12-months forward points declined by N10.22 and N22.19 to N397.40/\$ and N414.90/\$ respectively.

Fixed Income

At last week's OMO auction, compared to N50 billion worth of instrument offered by the apex bank, subscription was lower at N39.75 billion (dominated by the 1-year bill), largely reflecting low FPI participation. The apex bank cleared the total subscription, while maintaining the 1-year stop rate at 12.79%. At the secondary market, average fixed income yields declined by 39bps WoW to 7.12% following contraction at both ends of the curve. Bond yields moderated by 59bps WoW to 10.93% following interest in April-2023 (-139bps), March-2024 (-176bps) and March-2025 (-114bps). Also, average NTB yields declined 19bps WoW to 3.30% following moderation in long-tenor bills.

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

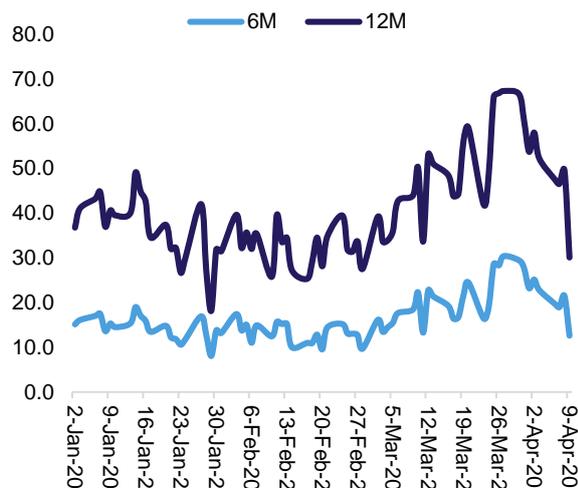
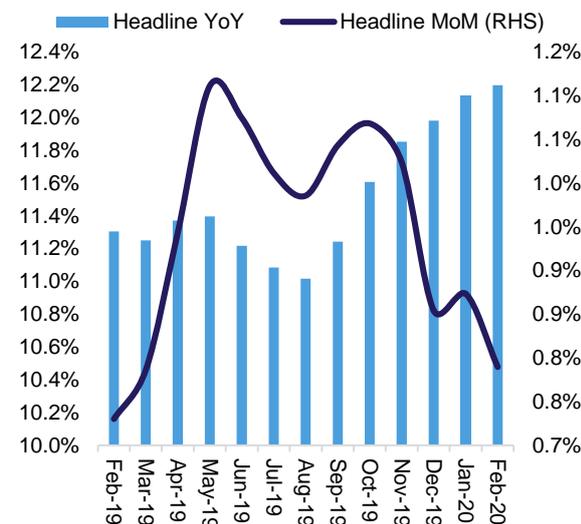


Figure 4: Nigeria YoY and MoM Inflation Trend



Equities

The Nigerian equities market closed last week higher by 1.4% WoW rounding off at 21,384.03 points and market capitalization also closing at N11.1 trillion. The gains last week were driven by the Banking (+12.4%), Consumer Goods (+6.5%) and Insurance (+0.2%) indices gained, all of which outweighed losses in the Industrial Goods (-6.6%) and Oil & Gas (-4.8%) indices.

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

Foreign Exchange rates	03-Apr-20	06-Apr-20	07-Apr-20	08-Apr-20	09-Apr-20	WoW % Change
CBN Official	361.00	361.00	361.00	361.00	361.00	0.00%
NAFEX	388.40	383.00	384.83	384.83	384.83	0.93%
BDC	375.00	375.00	375.00	375.00	375.00	0.00%
Parallel	410.00	410.00	410.00	410.00	412.50	-0.61%
Money Market rates %	03-Apr-20	06-Apr-20	07-Apr-20	08-Apr-20	09-Apr-20	WoW Change (bps)
Open Buy Back (OBB)	2.20	4.50	3.50	2.83	15.00	1280.00
Overnight (O/N)	2.60	4.80	3.83	3.17	16.83	1423.33
FGN Bonds %	03-Apr-20	06-Apr-20	07-Apr-20	08-Apr-20	09-Apr-20	WoW Change (bps)
Jul-21	6.06	6.01	6.02	6.00	5.99	-6.75
Jan-22	7.42	7.24	7.12	6.92	6.96	-45.83
Apr-23	10.60	10.10	9.70	9.07	9.21	-138.65
Mar-24	11.15	11.04	10.55	9.40	9.39	-175.46
Mar-25	12.24	11.70	11.48	10.97	10.61	-162.95
Jan-26	12.20	12.19	12.11	12.03	11.97	-23.17
Mar-27	12.61	12.61	12.19	12.18	12.18	-42.82
Feb-28	12.52	12.44	12.18	12.18	12.18	-34.65
Jul-30	12.58	12.46	12.26	12.26	12.26	-31.84
Jul-34	12.51	12.52	12.29	12.29	12.29	-21.73
Mar-36	12.64	12.64	12.64	12.64	12.64	-0.06
Apr-37	12.71	12.71	12.32	12.35	12.30	-40.58
Apr-49	12.95	12.94	12.75	12.55	12.56	-39.92
T-Bills	03-Apr-20	06-Apr-20	07-Apr-20	08-Apr-20	09-Apr-20	WoW Change (bps)
NGOMOB 04/23/20	12.31	12.30	12.29	12.29	12.29	-1.98
NGOMOB 05/28/20	12.18	12.17	11.61	11.60	11.60	-58.51
NGOMOB 06/18/20	12.62	12.61	12.03	12.04	12.03	-59.19
NGOMOB 07/16/20	12.64	12.63	12.62	12.62	12.61	-2.62
NGOMOB 08/27/20	13.55	13.54	12.45	11.47	11.34	-221.03
NGOMOB 09/24/20	13.43	13.42	12.83	12.48	12.48	-95.38
NGOMOB 10/22/20	13.13	14.00	14.00	13.99	13.99	86.01
NGOMOB 11/17/20	14.11	14.05	13.89	13.89	12.11	-199.66
NGOMOB 12/29/20	14.69	14.06	13.96	13.95	12.28	-240.77
NGOMOB 01/19/21	14.32	14.30	14.29	14.29	12.57	-174.25
NIGTB 07/02/20	2.12	2.12	2.12	2.12	2.12	-0.31
NIGTB 10/01/20	3.05	3.25	3.25	4.60	4.60	155.39
NIGTB 11/26/20	3.34	3.34	3.34	3.34	3.34	0.16
NIGTB 01/14/21	4.34	4.34	4.34	4.34	4.34	-0.31

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