

Weekly Economic and Financial Commentary

Global Economy

The rate of global economic contraction accelerated in the month of April as the impact of ongoing of lockdowns, shutdowns and other restrictions in place to combat the spread of COVID-19 continues to hit economic activities hard. The J.P.Morgan Global Composite Output Index for the Month of April fell to a 22-year low of 26.5 from 39.2 in March and below the level of 36.8 in November 2008 during the global financial crisis. Following steep contraction in manufacturing production and new orders in April, global manufacturing PMI fell to 39.8 from 47.3 in March. Also, the Global Services Business Activity Index plunged to 24.0 in April from 36.8 in March, to record the third consecutive month of contraction. The U.S. Manufacturing PMI posted 36.1 in April (down from 48.5 in March), with the Eurozone Manufacturing PMI following the same trend, registering 33.4 in April, down sharply from 44.5 in March. Elsewhere, China headline Business Activity Index posted 44.4 in April, which is an increase from 43.0 in March.

Data released last week showed the U.S Nonfarm employment declined by 20.5 million in April from a loss of 701,000 in March. Employment fell sharply in all major industry sectors, with particularly heavy job losses in leisure and hospitality. The unemployment rate increased by 10.3% to 14.7% (from 4.4% in March) as the number of unemployed persons rose by 15.9 million to 23.1 million in April. The April unemployment rate is the highest rate and the largest over-the-month increase in the history of the series. The broader measures of labour market under-utilization, which is underemployment, jumped from 8.7% in March to 22.8% in April. Elsewhere, the Bank of England held its policy rate steady last week at 0.1% but voted to continue with the programme of £200 billion of UK government bond and sterling non-financial investment-grade corporate bond purchases, to take the total stock of these purchases to £645 billion.

Domestic Economy

OTC FX futures market activity slowed in the month of April, with value traded declining to \$1.99 billion compared to \$4.95 billion in March (with total number of transactions declining to 246 in April from 755 in March). Notably, a total of \$1.52 billion contracts matured on April 29. Compared to the rate at initiation of N362.4/\$, the NAFEX rate on the settlement date averaged N387.5/\$, indicating the apex bank closed the position with a loss of N37.9 billion relative

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

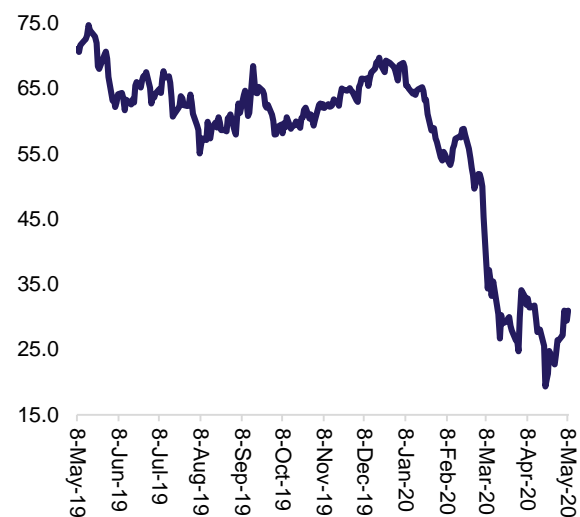
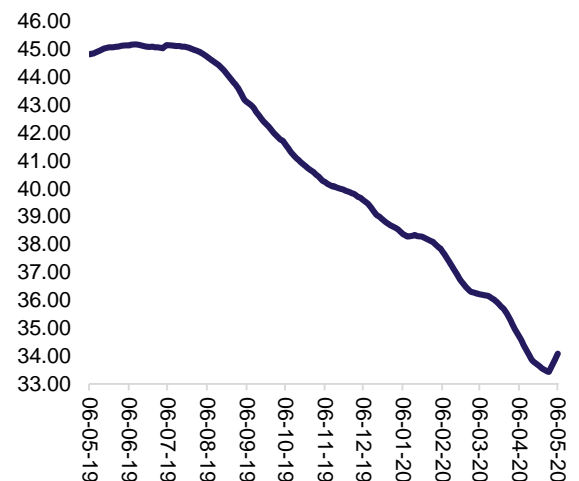


Figure 2: Movement in Gross Reserve (\$Bn)



to N6.3 billion loss on the March settlement. Reflecting the widening loss position, the FMDQ last week announced upward revision for all new contracts, with the 6 months, 1 year and longest tenor moved up by N11.8, N26.93 and N156.33 to N402.9/\$, N421.2/\$ and N569.69/\$ respectively. Elsewhere, CBN FX sales across segments was meagre following the lockdown implemented in April. Particularly, CBN sales to the SMEs, Invisibles and SMIS (retail and wholesale) windows declined 32% MoM to \$451 million as CBN rationing of dollars and DMBs lowering of bids to avoid unusual debits by CBN persists. Non-auction sales also declined to just \$192 million from \$2.3 billion in March, while no sale was recorded for BDCs following the suspension of sales in April.

The Nigerian National Petroleum Corporation last week announced the FG plans to offer marginal oil fields for auction in 2020, after almost 14 years of not conducting any licensing round. The decision is based on the lower production costs of marginal fields and the need to encourage local participation.

Crude Oil

Last week, Saudi Arabia released its official oil pricing template for June, offering Arab light delivery to Asia at a discount of \$5.90/ barrel (compared to discount of \$7.3/barrel in May) to the Oman/Dubai average, U.S delivery at a premium of \$0.75/barrel (discount of \$0.75/barrel in May) versus ASCI and a discount of \$3.50/barrel (discount of \$10.25/barrel in May) to ICE Brent for delivery to Northwestern Europe. Data released by the US Energy Information Administration last week showed substantial builds in US crude inventories by 4.59 million barrels to 532.22 million barrels, even as total US crude output averaged at 11.9mbpd during the week ended May 1, a decline of 200,000bpd from the week prior. With the rising announcement of supply restraints from OPEC+ and signs of more economies reopening, Brent crude prices gained more than 17% and ended the week at \$30.97/barrel, the close price represents a year to date decline of 54.3% and is 3.2% above the Federal Government of Nigeria 2020 revised budget benchmark of \$30/barrel.

Foreign Exchange and Reserve

As at Wednesday (May. 06, 2020), the gross external reserve accrued by \$657 million to \$34.09 billion when compared to \$33.43 billion as at Apr. 29, 2020. While the reserve has depleted year to date by \$4.51 billion, adjusting the reserve level on Tuesday for the IMF loan of \$3.4 billion should put the adjusted reserves at about \$37.5 billion. The naira strengthened at the parallel market and IEW last week by 1.14% and 0.01% respectively to N437.5/\$ and N387.25/\$ respectively. The 6-months and 12-months forward points declined by N7.50 and N13.37 to N399.15/\$ and N417.03/\$ respectively. Activity slowed at the OTC futures, with the sum of transaction of \$211.7 million last week, compared to \$822.8 million in the prior week.

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

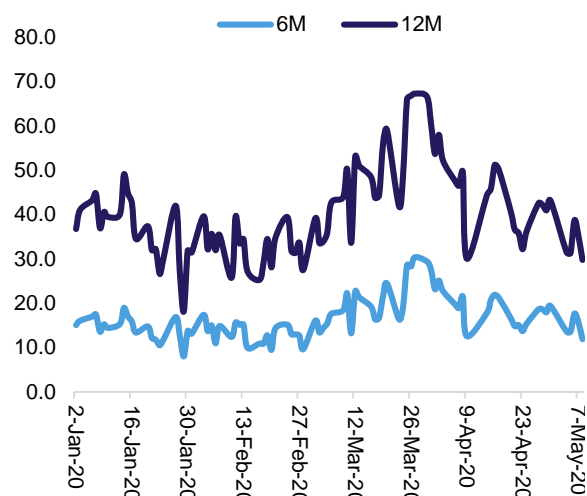
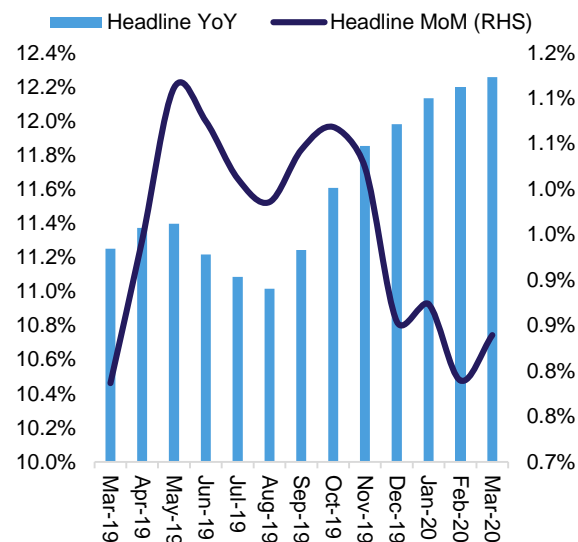


Figure 4: Nigeria YoY and MoM Inflation Trend



Fixed Income

Average fixed income yields expanded by 3bps WoW to 6.24% following sell-off at the long end of the curve. Average NTB yield moderated by 4bps WoW to 2.66% last week, while average bond yield expanded by 11bps to close at 9.82% following sell-offs of the JAN-2026 (+101bps) and APR-2037 (+25bps) bonds, both of which more than outweighed the demand for the APR-2029 (-45bps) bond.

Equities

The Nigerian equities market closed last week higher by 4.4% WoW, rounding off at 24,045.40 points with market capitalization at N12.5 trillion. The gains last week were driven by Consumer Goods (+8.5%), Banking (+4.0%), Oil & Gas (+2.8%), Insurance (+2.8%), and Industrial Goods (+2.2%) indices.

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

Foreign Exchange rates	30-Apr-20	04-May-20	05-May-20	06-May-20	07-May-20	08-May-20	WoW % Change
CBN Official	361.00	361.00	361.00	361.00	361.00	361.00	0.00%
NAFEX	387.30	384.00	385.40	384.50	386.38	387.25	0.01%
BDC	440.00	439.50	425.00	427.50	430.00	440.00	0.00%
Parallel	442.50	420.00	425.00	431.00	431.00	437.50	1.14%
Money Market rates %	30-Apr-20	04-May-20	05-May-20	06-May-20	07-May-20	08-May-20	WoW Change (bps)
Open Buy Back (OBB)	2.25	4.00	4.50	3.50	2.00	7.42	516.67
Overnight (O/N)	2.75	4.67	5.38	4.25	3.00	8.33	558.33
FGN Bonds %	30-Apr-20	04-May-20	05-May-20	06-May-20	07-May-20	08-May-20	WoW Change (bps)
Jul-21	4.69	4.61	4.59	4.57	4.55	4.53	-15.75
Jan-22	5.82	5.76	5.70	5.68	5.67	5.65	-17.39
Apr-23	8.49	8.47	8.30	8.30	8.29	8.29	-19.72
Mar-24	8.56	8.41	8.41	8.40	8.40	8.40	-16.37
Mar-25	8.01	8.85	8.43	8.43	9.36	9.36	135.44
Jan-26	9.15	9.39	9.39	9.39	10.18	10.18	102.50
Mar-27	11.01	10.69	10.69	10.69	11.18	11.18	16.94
Feb-28	11.16	11.15	10.81	10.90	11.14	11.05	-10.54
Jul-30	11.29	10.94	10.94	10.94	10.94	10.94	-34.52
Jul-34	11.30	11.30	11.30	11.30	11.30	11.30	0.00
Mar-36	11.42	11.42	11.42	11.31	11.50	11.56	14.00
Apr-37	11.30	11.28	11.23	11.35	11.50	11.55	24.56
Apr-49	12.41	12.40	12.40	12.54	12.54	12.63	22.23
Mar-50	12.49	12.49	12.49	12.63	12.62	12.71	21.77
T-Bills	30-Apr-20	04-May-20	05-May-20	06-May-20	07-May-20	08-May-20	WoW Change (bps)
NGOMOB 05/28/20	8.05	8.04	10.06	10.06	9.31	9.31	125.78
NGOMOB 06/18/20	9.11	9.10	9.10	9.10	9.09	9.09	-1.82
NGOMOB 07/16/20	8.36	8.35	8.35	8.35	7.56	7.68	-68.18
NGOMOB 08/27/20	8.64	8.63	8.63	8.62	8.62	9.22	58.50
NGOMOB 09/24/20	8.91	9.15	9.68	9.29	9.32	9.75	83.80
NGOMOB 10/22/20	9.18	9.72	9.92	9.75	9.55	9.55	36.93
NGOMOB 11/17/20	9.67	10.05	10.01	10.01	10.01	10.00	33.17
NGOMOB 12/29/20	10.12	9.99	9.99	9.99	9.98	10.57	45.89
NGOMOB 01/19/21	11.34	11.35	11.35	11.32	11.41	11.40	6.12
NGOMOB 02/23/21	11.35	11.55	11.55	11.55	11.54	11.54	19.55
NIGTB 07/02/20	2.36	2.36	2.36	2.37	2.36	2.37	0.35
NIGTB 10/01/20	2.73	2.73	2.73	2.73	2.73	2.73	-0.16
NIGTB 11/26/20	2.54	2.54	2.54	2.54	2.54	2.54	-0.14
NIGTB 01/14/21	2.95	2.95	2.95	2.95	2.95	2.95	-0.07

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