

## Weekly Economic and Financial Commentary

### Global Economy

After months of contraction in economic activities occasioned by the Covid-19 related lockdown, the reopening of activity by more countries across different sectors saw global economic activities witness a recovery in the month of July. The J.P.Morgan Global Composite Output Index for the Month of July improved to 50.8 from 47.8 in June, to mark the first time since January that the headline figure has posted above the neutral 50.0 mark. The global manufacturing sector moved back into expansion territory in July, as output and new orders started to revive. Manufacturing PMI improved to 50.3 in July up from 47.9 in June following improvement in output, new orders, export orders and output prices. Also, the Global Services Business Activity Index posted 50.5 in July, up from 48.0 in June following growth of new business, which also rose for the first time in six months. Among the largest industrial nations, growth was registered in the US, China, the Euro Area, the UK, Brazil and Australia among others. Contractions in Japan, India and South Korea were the main drags on the nascent global manufacturing recovery in July. Particularly in China, exports benefitted from the gradual re-opening of economies around the world, but employment still remained at historic lows. China's official manufacturing PMI rose to 51.1 July from 50.9 in June.

Data released last week showed U.S Nonfarm employment increased by 1.8 million in July from 4.8 million in June. Leisure and hospitality, government, retail trade, professional and business services, other services, and health care recorded notable job gains. Excluding government employment related to education and temporary hiring for the 2020 Census, payrolls rose just 1.5 million. The unemployment rate moderated to 10.2% in July from 11.1% in June, as the number of unemployed persons fell by 1.4 million to 16.4 million. Despite the cumulative decline in unemployed persons by 6.7 million over the past 3 months, the unemployment rate and the number of unemployed persons are up by 6.7% and 10.6 million, respectively since February. The broader measures of labour market under-utilization, which is underemployment, fell to 16.5% in July from 18% in June. Following the failure of Democrats and Republicans to agree on a new stimulus package, President Trump signed several executive orders over the weekend to extend unemployment benefits of \$400 per week, defer some payroll taxes until next year, and extend the moratorium on evictions.

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

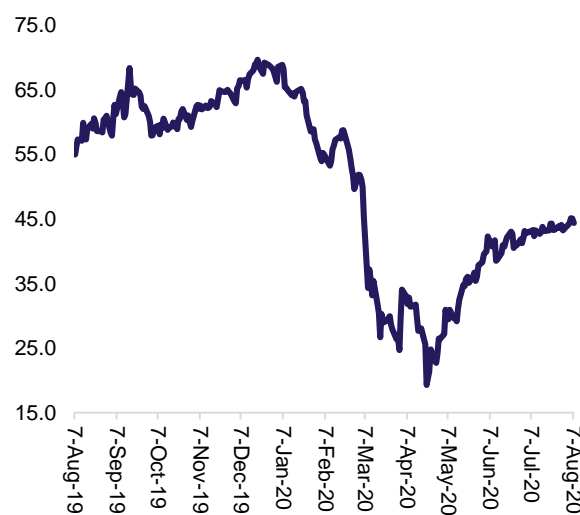
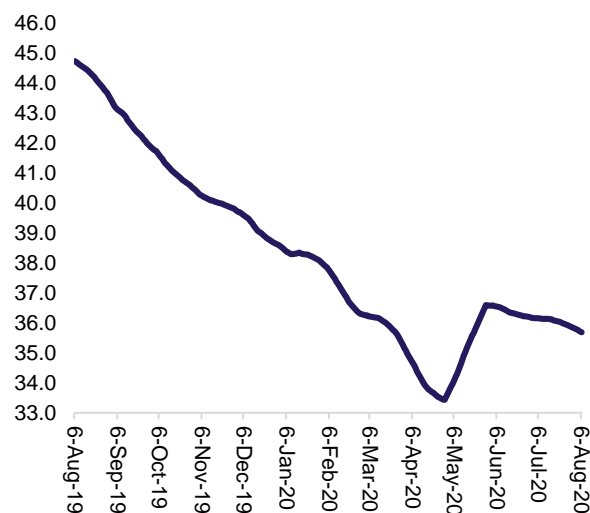


Figure 2: Movement in Gross Reserve (\$Bn)



### Domestic Economy

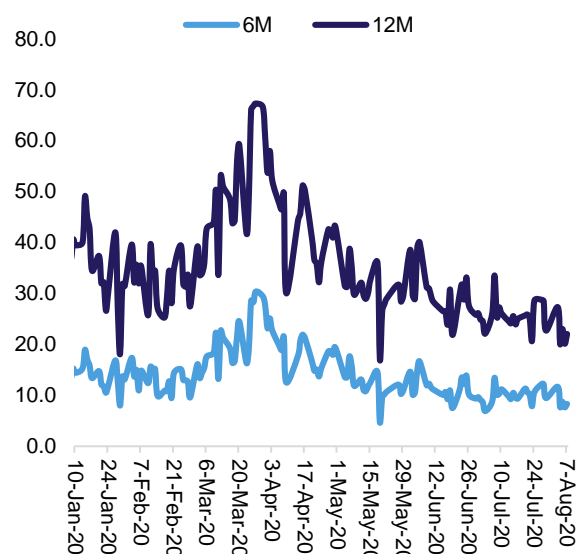
Last week, President, Muhammadu Buhari granted assent to the Companies & Allied Matters Bill 2020 as recently passed by the National Assembly. The new CAMA 2020, repealed and replaced the extant CAMA 1990, with the introduction of new provisions that promote ease of doing business and reduces regulatory hurdles. The Act now makes it compulsory for the disclosure of persons with significant control of companies in a register of beneficial owners to enhance corporate accountability and transparency; unlike the hitherto situations where promoters were unknown. It allows corporate promoters of companies to establish private companies with a single member or shareholder, and creating limited liability partnerships and limited partnerships to give investors and business people alternative forms of carrying out their business in an efficient and flexible way. The Act allows for the processes and procedures to ease the operations of companies, such as introducing Statements of Compliance; replacing “authorised share capital” with minimum share capital to reduce costs of incorporating companies; and providing for electronic filing, electronic share transfers. The Act also enhances the minority shareholder protection and engagement; introduced improved business rescue reforms for insolvent companies and permits the merger of Incorporated Trustees for associations that share similar aims and objectives.

The World Bank last week approved the sum of \$114 million support fund for Nigeria to improve efforts geared towards reducing the spread of coronavirus pandemic. The fund is in the form of a \$100 million loan and a \$14 million grant to be split between federal government and the 36 states for procurement of medical equipment, tests and medicine.

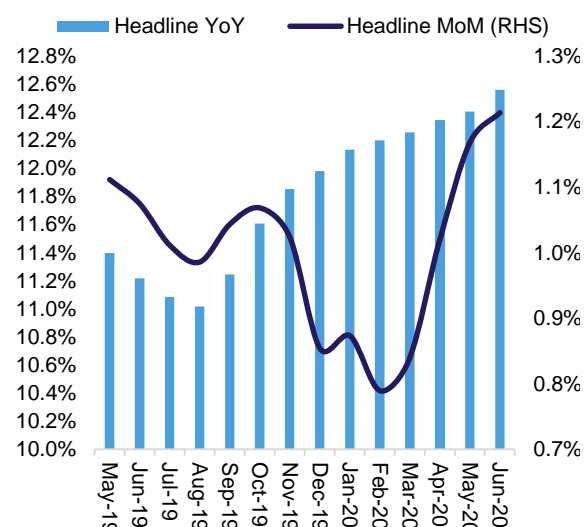
### Crude Oil

Iraq, the OPEC+ alliance's third largest producer, pledged to make additional cuts of 400,000bpd below its quota in August and September to make up for its overproduction in May, June and July. This would put Iraq's effective quota at 3.404mbpd compared to the original quota of 3.804mbpd from August through the end of the year. The EIA's weekly US Petroleum Report released last week showed commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) declined by 7.37 million barrels to 518.6 million barrels, which is about 16% above the five-year average. As a result, oil prices increased last week by 2.02% to \$44.4/barrel – trading above \$45/barrel – trading above \$45/barrel during the week. The price at the end of last week reduced the year to date decline to 34.5% and is 58.6% above the Federal Government of Nigeria 2020 revised budget benchmark of \$28/barrel. In line with the expected increase in volumes from OPEC+ exporters following agreed quota of 7.7mbpd starting August (compared to 9.7mbpd in May to June), Saudi Aramco lowered its official selling prices (OSP) for September crude supplies

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



**Figure 4: Nigeria YoY and MoM Inflation Trend**



to Asia, dropping the Asia OSP for Arab Super Light and Arab Extra Light by \$0.60/barrel and \$0.50/barrel respectively from July to the Dubai/Oman average, and dropping its Arab Light and Medium prices by \$0.30/barrel from August. Arab Heavy OSP was lowered by \$0.30 cents/barrel.

### Foreign Exchange and Reserve

As at Thursday (Aug. 06, 2020), the gross external reserves depleted by \$199 million to \$35.68 billion when compared to \$35.88 billion as of July 29. The naira depreciated at the Parallel and BDC market last week by 0.21% each to N472.5/\$ and N471.5/\$ respectively, and appreciated at the IEW by 84bps to N386.0/\$. The 6-months and 12-months forward points traded lower by N1.14 and N0.65 to N394.35/\$ and N408.08/\$ respectively. Activity slowed at the OTC futures market last week, with the sum of transaction of \$236.6 million compared to \$460.2 million in the prior week. One month after the quoting of the official rate on the FMDQ platform at N381/\$, the CBN officially reflected an adjustment of the official exchange rate to N379/\$ from N360/\$ on its website on August 7. The official rate is used for special government transactions including importation of premium motor spirit and other subsidized imported items. While the move suggests a gradual unification of rate, the movement is still at a discount to the NAFEX rate.

### Fixed Income

With the absence of primary market auctions last week, average fixed income yields in the secondary market expanded by 32bps WoW to 4.45% as profit taking resurfaced on the long end of the curve, to mark the first WoW increase in about 7 weeks. Average bond yields rose by 68bps WoW to 7.20% following profit taking in the Jan-2026 (+176bps), March-2026 (+169bps), July-2034 (+159bps) and March-2027 (+116bps) bonds. Average NTB yields fell 4bps WoW to 1.71% following further contraction in the short-tenor (-2bps) and mid-tenor (-7bps) bills. Elsewhere, average FGN Eurobond yields fell by 35bps to 6.93%, following contraction across the curve, with the largest contraction in the Jan-2031 (-61bps), Feb-2032 (-48bps), Nov-2025 (-47bps), Nov-2027 (-41bps) and Jan-2021 (-33bps).

### Equities

The Nigerian equities market closed higher last week by 1.41% WoW, rounding off at 25,041.89 points with market capitalization at N13.1 trillion following gains in the Banking (+4.9%), Oil & Gas (+4.8%), Consumer Goods (+0.7%), and Industrial Goods (+0.1%) indices. Best performing stocks last week were SEPLAT (+12.83%), STANBIC (+10%), GUARANTY (+8.22%), UBA (+5.65%), ZENITH (+3.68%), GUINNESS (+8.46%) and NB (+4.44%).

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

Foreign Exchange rates	29-Jul-20	03-Aug-20	04-Aug-20	05-Aug-20	06-Aug-20	07-Aug-20	WoW % Change
CBN Official	381.00	381.00	381.00	381.00	381.00	381.00	0.00%
NAFEX	389.25	388.00	389.00	389.25	385.50	386.00	0.84%
BDC	470.50	469.50	470.50	471.00	471.00	471.50	-0.21%
Parallel	471.50	470.00	471.00	471.00	471.00	472.50	-0.21%
Money Market rates %	29-Jul-20	03-Aug-20	04-Aug-20	05-Aug-20	06-Aug-20	07-Aug-20	WoW Change (bps)
Open Buy Back (OBB)	1.40	13.33	9.00	8.50	8.00	6.00	460.00
Overnight (O/N)	2.10	14.33	10.08	9.33	8.64	6.80	470.00
FGN Bonds %	29-Jul-20	03-Aug-20	04-Aug-20	05-Aug-20	06-Aug-20	07-Aug-20	WoW Change (bps)
Jul-21	3.03	2.83	2.82	3.19	2.81	2.81	-22.34
Jan-22	3.84	2.92	2.91	4.69	2.98	2.97	-86.59
Apr-23	3.92	3.89	3.88	4.61	3.90	3.90	-2.48
Mar-24	3.98	4.57	4.56	4.56	4.55	4.54	56.40
Mar-25	4.96	4.94	4.93	6.38	6.37	5.96	99.99
Jan-26	5.35	5.33	5.33	7.85	7.85	7.11	175.72
Mar-27	6.75	7.38	7.38	7.37	7.37	7.91	115.56
Feb-28	7.24	7.23	7.23	7.23	7.23	7.23	-1.48
Jul-30	8.03	8.02	8.02	8.02	8.02	9.08	105.29
Jul-34	8.88	8.88	10.47	10.47	10.47	10.47	158.91
Mar-36	8.86	8.85	8.85	10.55	10.55	10.55	168.89
Apr-37	9.20	9.50	10.48	10.48	10.48	9.84	63.94
Apr-49	9.72	9.85	10.39	10.29	10.15	10.43	71.46
Mar-50	9.76	9.88	10.39	10.28	10.13	10.48	72.03
T-Bills	29-Jul-20	03-Aug-20	04-Aug-20	05-Aug-20	06-Aug-20	07-Aug-20	WoW Change (bps)
NGOMOB 08/27/20	2.61	2.47	2.63	3.23	3.12	3.66	105.19
NGOMOB 09/24/20	4.71	4.24	3.81	4.58	4.48	4.47	-23.77
NGOMOB 10/22/20	4.43	4.47	4.51	3.74	3.74	3.74	-68.43
NGOMOB 11/17/20	3.90	3.18	3.18	3.18	3.18	3.18	-72.20
NGOMOB 12/29/20	3.73	3.73	3.73	3.73	3.81	3.81	7.28
NGOMOB 01/19/21	4.34	4.09	4.09	4.09	4.09	4.09	-25.29
NGOMOB 02/23/21	5.44	5.44	3.73	4.77	4.77	4.77	-66.77
NGOMOB 03/30/21	5.19	5.19	4.20	4.88	4.75	4.75	-43.51
NGOMOB 05/25/21	4.72	4.72	5.05	5.18	4.56	4.56	-16.50
NIGTB 10/01/20	1.31	1.35	1.35	1.35	1.35	1.35	4.76
NIGTB 11/26/20	1.35	1.35	1.25	1.25	1.25	1.36	0.09
NIGTB 01/14/21	1.61	1.61	1.41	1.41	1.41	1.41	-20.33
NIGTB 04/29/21	2.74	2.74	2.74	2.74	2.74	2.74	-0.19
FBN Eurobonds	29-Jul-20	03-Aug-20	04-Aug-20	05-Aug-20	06-Aug-20	07-Aug-20	WoW Change (bps)
\$500M JUL 2023	5.43	5.33	5.20	5.14	5.21	5.15	-28.00
\$1.118B NOV 2025	7.00	6.86	6.71	6.55	6.54	6.53	-47.00
\$1.5BN NOV 2027	7.49	7.34	7.21	7.17	7.14	7.08	-41.00
\$1.25B FEB 2030	7.92	7.72	7.61	7.50	7.51	7.48	-44.00
\$1.0B JAN 2031	8.55	8.30	8.05	7.94	7.94	7.94	-61.00
\$1.5B FEB 2032	8.50	8.27	8.07	8.02	8.05	8.02	-48.00
\$1.25BN FEB 2038	8.53	8.39	8.26	8.21	8.23	8.23	-30.00
\$1.5BN NOV 2047	8.49	8.38	8.28	8.25	8.27	8.27	-22.00
\$750M JAN 2049	9.01	8.89	8.78	8.74	8.75	8.74	-27.00
\$750M JAN 2049	9.27	9.23	8.98	8.96	8.90	9.03	-24.00

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