

Weekly Economic and Financial Commentary

Global Economy

Data released last week showed U.S Nonfarm employment increased by 638,000 (from 672,000 in September) in October, following continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic and efforts to contain it. Leisure & hospitality, professional & business services, retail trade and construction recorded notable job gains. However, the October number is the smallest monthly increase since business started to resume post Covid-19 relaxations. Employment in government sector declined by 147,000 over the month following departure of temporary workers hired for the census and a shift to online learning in schools resulted in layoffs at state and local government education departments. The unemployment rate moderated to 6.9% (from 7.9% in September) from a pandemic-peak of 14.7% in April. Specifically, the number of unemployed persons fell by 1.5 million to 11.1 million in October. The broader measures of labour market under-utilization, which is underemployment, fell to 12.1% in October from 12.8% in October.

The J.P.Morgan Global Composite Output Index rose to 53.3 in October (from 55.5 in September), to signal expansion for the fourth consecutive month. Growth strengthened in both the manufacturing (32-month high) and services (19-month high) industries. The global manufacturing PMI improved to 53.0 (from 52.4 in September) and above the neutral 50.0 mark for the fourth successive month. Also, the Global Services Business Activity Index posted 52.9 (from 52.0 in September) following growth of new business. Economic growth hit a near two-and-a-half year high in the US. Rates of expansion also strengthened in China, India and Australia, but slowed in the UK. The eurozone stagnated (on average) as a marked increase in manufacturing production was offset by a further downturn in service sector business activity. 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 51.4 in October (from 51.5 in September) with the production index, new orders index, and supplier distribution time index all above the threshold, while main raw materials inventory index and employment index stayed below the threshold.

Sections

- [Global Economy](#)
- [Domestic Economy](#)
- [Crude Oil](#)
- [Foreign Exchange and Reserves](#)
- [Fixed Income](#)
- [Equities](#)

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

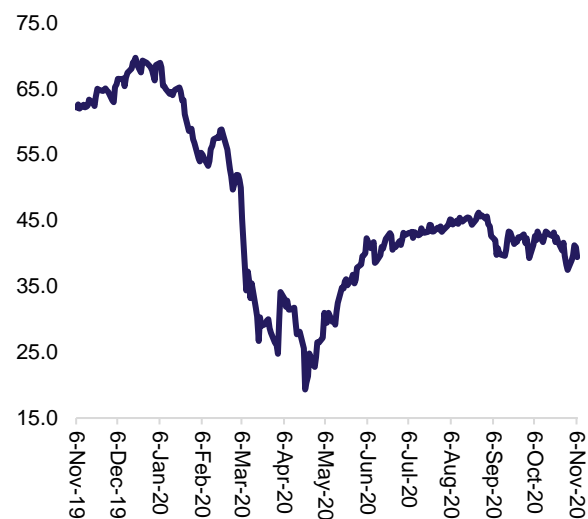
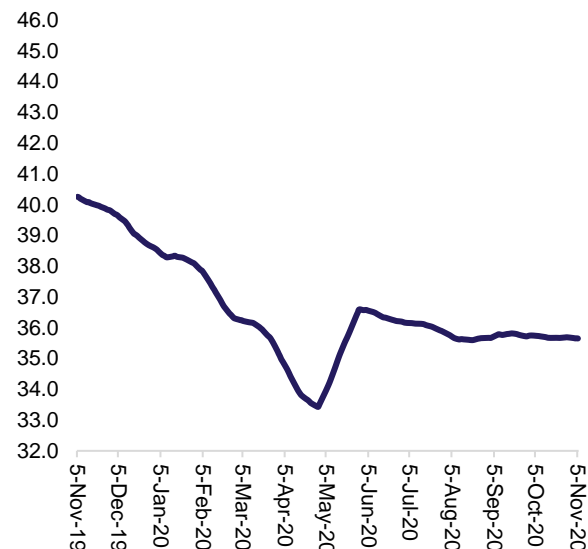


Figure 2: Movement in Gross Reserve (\$Bn)



Domestic Economy

Recent data released by the National Bureau of Statistics showed total amount of VAT generated in Q3 2020 increased by 29.8% QoQ and 54.45% YoY to N424.71 billion, with cumulative 9M 2020 VAT collection rising by 22.9% YoY to N1.08 trillion. The increase largely emanated from the increase in VAT rate from 5.0% to 7.5% earlier in 2020 and the pickup in economic activities in Q3-20. On a sectoral basis, Professional Services generated the highest amount of VAT with N119.94 billion (representing 11.1% of total VAT collected) generated, followed closely by Other Manufacturing generating N114.71 billion (representing 10.7% of total collection). Out of the total amount generated in 9M 2020, N550.49 billion was generated as Non-Import VAT locally, N277.08 billion was generated as Non-Import VAT for foreign and N248.91 billion was generated as Nigeria Customs Service-Import VAT.

Crude Oil

The EIA's weekly US Petroleum Report released last week estimates crude oil in commercial storage increased by 8.0 million barrels (compared to a increase of 4.3 million barrels in the prior week) to 484.4 million barrels (which is about 7% above the five-year average). With the rising global caseload of COVID-19 and the return of broad lockdowns across Europe, market is increasingly pricing in the prospects that the OPEC+ group will approve an extension of their current levels of production cuts through March 2021. Accordingly, crude oil prices rose 5.31% last week to \$39.45/barrel with the Bonny Light-Brent discount narrowing to \$0.09/barrel from \$0.15/barrel last week. The price at the end of last week reduced the year to date decline to 41.8% and is 40.9% above the Federal Government of Nigeria 2020 revised budget benchmark of \$28/barrel. China's crude oil imports in October registered the first year-on-year decline since April, with a 6.5% drop to 10.06mbpd, as refiners slowed down on their purchases amid a drop in throughput and less import quotas.

Foreign Exchange and Reserve

As of Thursday (Nov. 02, 2020), the gross external reserves depleted by \$38.8 million to \$35.65 billion when compared to \$35.69 billion as of Oct. 28. The Naira depreciated at the BDC and parallel segment last week by 0.11% and 0.33% to N458.5/\$ and N461.0/\$ respectively, while it traded at the IEW to close at N386.0/\$. The 6-months forward points increased by N0.08 to N388.41/\$, while the 12-months forward points traded lower by N2.93 to N389.81/\$. Activity slowed at the OTC futures market last week, with the sum of transaction of \$24.86 million compared to 102.89 million in the prior week.

Fixed Income

At last week's OMO auction, compared to N90 billion offered by the CBN, subscription settled at N488.8 billion, with the 1-year stop rate declining further

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

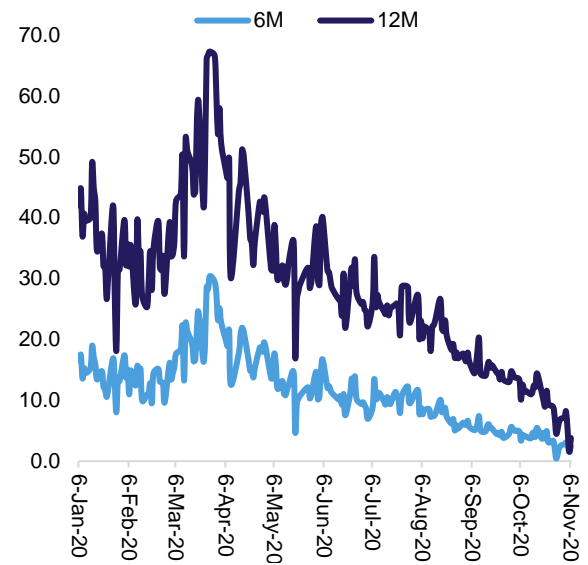
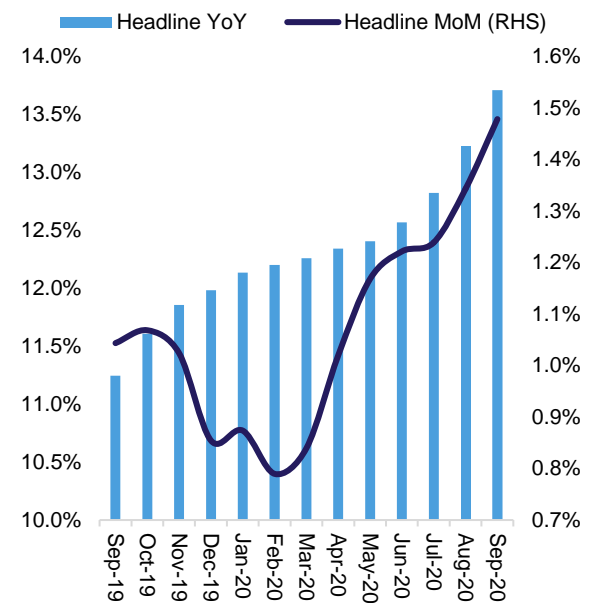


Figure 4: Nigeria YoY and MoM Inflation Trend



to 7.25% from 7.49% at the last auction. Average fixed income yields in the secondary market fell by 14bps to 1.98% following contraction at both ends of the curve. Average bond yields fell 25bps to 3.46% as investors were keen on the Jan-2021 (-28bps), Feb-2030 (-7bps), Feb-2038 (-5bps) and Nov-2027 (-5bps) bonds. Average NTB yields fell by 4bps to 0.50% as the 1-year (-47bps) and the 182-day (-7bps) bills both closed lower. Elsewhere, average FGN Eurobond yields contracted by 66bps to 6.48%, following buy sentiment across the curve with the most notable declines in the Jan-2021 (-84bps), and 60bps decline each for Feb-2027, Feb-2030 and Jan-2031. The recently released bond issuance calendar by DMO for the month of November and December 2020 showed a maximum offer of N100 billion (an increase N30 billion offered in October) across two instruments in each of the auctions.

Equities

The positive sentiment in the Nigerian equities market persists with the NSE ASI rising by 1.59% WoW, rounding off 31,016.17 points with market capitalisation closing at N16.2 trillion. The positive performance emanated from gain in the Industrial Goods (+2.9%), Banking (+2.2%), Insurance (+1.3%) and Consumer Goods (+0.6%) indices, all of which neutered decline in the Oil and Gas (-0.8%) index. Best performing stocks last week were DANGCEM (+9.06%), DANGSUGAR (+19.57%), CAP (+13.02%), NASCON (+7.25%) and WAPCO (+4.28%). While INTBREW (-11.80%), BUACEMENT (-5.49%), JBERGER (-4.48%) and MOBIL (-3.11%) recorded declines last week. **Our top stocks for the week are GUARANTY, ZENITH BANK, DANGCEM, TOTAL and UBA.**

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

Foreign Exchange rates	30-Oct-20	02-Nov-20	03-Nov-20	04-Nov-20	05-Nov-20	06-Nov-20	WoW % Change
CBN Official	379.00	379.00	379.00	379.00	379.00	379.00	0.00%
NAFEX	386.00	385.63	386.00	386.00	386.00	386.00	0.00%
BDC	458.00	458.50	458.50	458.50	458.50	458.50	-0.11%
Parallel	459.50	460.50	460.50	461.00	461.50	461.00	-0.33%
Money Market rates %	30-Oct-20	02-Nov-20	03-Nov-20	04-Nov-20	05-Nov-20	06-Nov-20	WoW Change (bps)
Open Buy Back (OBB)	1.00	0.75	0.50	0.63	0.63	5.70	470.00
Overnight (O/N)	1.25	1.00	0.83	1.04	1.38	6.40	515.00
FGN Bonds %	30-Oct-20	02-Nov-20	03-Nov-20	04-Nov-20	05-Nov-20	06-Nov-20	WoW Change (bps)
Jul-21	0.89	0.82	0.82	0.61	0.47	0.49	-39.75
Jan-22	2.35	2.47	2.48	0.98	0.99	0.96	-139.10
Apr-23	2.63	2.72	2.71	2.70	2.69	2.68	5.04
Mar-24	2.83	2.90	2.87	1.50	1.11	1.10	-172.67
Mar-25	3.06	3.11	3.05	2.43	2.25	2.24	-81.59
Jan-26	3.25	3.27	3.20	3.18	3.17	3.17	-7.79
Mar-27	3.68	3.67	3.66	3.66	3.66	3.65	-2.43
Feb-28	3.44	3.71	3.69	3.69	3.69	3.69	24.93
Jul-30	4.16	4.20	4.05	4.10	4.11	4.31	15.42
Jul-34	5.00	5.00	5.00	5.00	5.04	5.04	3.27
Mar-36	5.00	5.00	5.00	5.00	5.00	4.99	-0.42
Apr-37	4.90	4.90	4.90	4.90	4.90	4.90	-0.49
Apr-49	6.76	7.13	7.13	6.93	6.92	7.12	36.47
Mar-50	6.90	7.30	7.30	7.09	7.08	6.96	6.41
T-Bills	30-Oct-20	02-Nov-20	03-Nov-20	04-Nov-20	05-Nov-20	06-Nov-20	WoW Change (bps)
NGOMOB 11/24/20	0.39	0.39	0.10	0.10	0.10	0.40	0.71
NGOMOB 12/29/20	0.43	0.43	0.28	0.28	0.15	0.15	-27.88
NGOMOB 01/26/21	0.46	0.46	0.46	0.38	0.29	0.29	-16.74
NGOMOB 02/23/21	0.50	0.50	0.50	0.50	0.12	0.12	-38.29
NGOMOB 03/30/21	0.47	0.47	0.47	0.47	0.21	0.21	-26.36
NGOMOB 05/25/21	0.35	0.35	0.35	0.35	0.35	0.35	0.00
NIGTB 11/26/20	0.39	0.39	0.39	0.39	0.39	0.39	0.00
NIGTB 01/28/21	0.34	0.34	0.34	0.34	0.34	0.34	0.00
NIGTB 04/29/21	0.62	0.62	0.62	0.62	0.62	0.62	-0.01
NIGTB 07/29/21	0.35	0.35	0.35	0.35	0.35	0.35	0.00
FBN Eurobonds	30-Oct-20	02-Nov-20	03-Nov-20	04-Nov-20	05-Nov-20	06-Nov-20	WoW Change (bps)
\$500M JUL 2023	4.84	4.91	4.68	4.61	4.32	4.31	-53.00
\$1.118B NOV 2025	6.46	6.49	6.31	6.21	5.84	5.89	-57.00
\$1.5BN NOV 2027	7.06	7.10	6.91	6.83	6.39	6.46	-60.00
\$1.25B FEB 2030	7.69	7.73	7.52	7.44	7.02	7.09	-60.00
\$1.0B JAN 2031	8.21	8.25	8.06	7.98	7.53	7.61	-60.00
\$1.5B FEB 2032	8.29	8.34	8.09	8.00	7.52	7.65	-64.00
\$1.25BN FEB 2038	8.59	8.63	8.38	8.33	7.92	8.02	-57.00
\$1.5BN NOV 2047	8.47	8.50	8.31	8.25	7.84	7.95	-52.00
\$750M JAN 2049	9.10	9.14	8.92	8.88	8.44	8.56	-54.00

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