

## Weekly Economic and Financial Commentary

### Global Economy

China's Manufacturing Purchasing Managers Index (PMI) showed expansion in manufacturing activities with the PMI expanding to 51.5 from 51.0 last month. According to the classification index, the five sub-indices composing PMI, the production index, new orders index, and supplier distribution time index were all above the threshold, while main raw materials inventory index and employment index stayed below the threshold. Non-manufacturing business activities index was 55.9 from 55.2 in August, remaining above the threshold since March.

The European Union current account recorded a surplus of €82.9 billion (2.7% of GDP) in Q2 2020 from a surplus of €52.9 billion (1.5% of GDP) in Q1 2020 and a surplus of €72.7 billion (2.1% of GDP) in Q2 2019. In Q2 20, surplus of the goods account decreased to €48.9 billion compared to €83.5 billion in Q1. The deficit of the services and primary income accounts moved from deficit of €5.8 billion and €10.1 billion in Q1 to surplus of €24.8 billion and €24.8 billion respectively. The deficit of the secondary income account grew to €15.5 billion compared to €14.7 billion in Q1. In Q2 2020, the EU recorded current account surpluses with the UK (+€35.6 billion), USA (+€15.8 billion) and Canada (+€6.2 billion). Deficits were registered with China (-€29.0 billion), Japan (-€0.5 billion) and India (-€0.2 billion).

### Domestic Economy

The Budget Office of the Federation released details of the budget performance for the first half of 2020 last week. For the federation account, compared to prorated H1 budgeted oil revenue of N1.05 trillion, actual revenue exceeded at N1.69tr. The higher than prorated oil performance reflects the higher receipts from petroleum profit tax and oil & gas royalties. Non-oil revenue was N367 billion lower than prorated budget at N1.0 trillion following underperformance across income lines, with cumulative revenue down N125 billion relative to the prorated budget to 3.32 trillion. For the FGN, the H1 20 revenue declined by 19% YoY to N1.65 trillion and fell short of prorated budget revenue of N2.92 trillion following broad underperformance across the other Income lines (Independent revenue, special accounts, signature bonus, recoveries and stamp duty). The FGN achieved 90% budget implementation over H1, with total expenditure of N4.47 trillion compared to estimate of N4.97 trillion. Despite the performance, capital expenditure was just N444.7 billion compared to planned

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

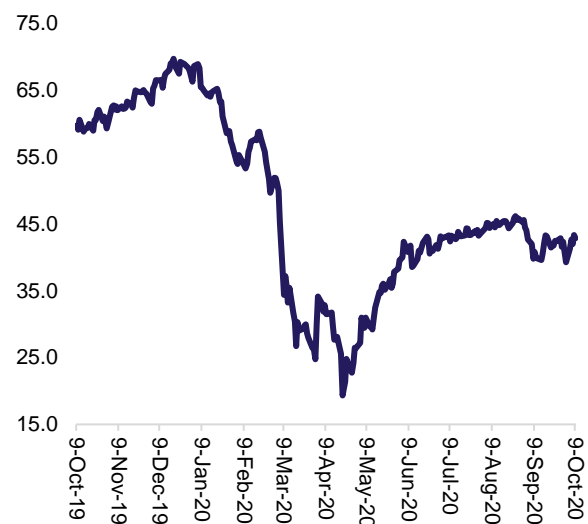
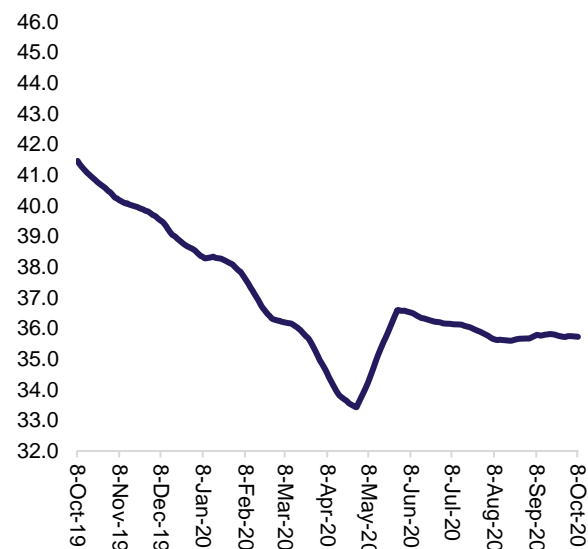


Figure 2: Movement in Gross Reserve (\$Bn)



capex spend of N1.24 trillion. Total fiscal deficit over H1 summed to N2.8 trillion, financed by domestic borrowing of N1.42 trillion, with the excess source from other special accounts like the CBN ways and means.

According to the National Bureau of Statistics, States Internally Generated Revenue (IGR) declined in Q2 2020 by 26.5% QoQ to N259.7 billion, following a decline across components save for the Other Taxes (+3.8% q/q). Revenues from states MDAs (-42.0% QoQ) declined the most followed by Direct Assessment taxes (-41.8% QoQ), Road taxes (-38.0% QoQ) and PAYE (-27.0% QoQ). Over H1 2020, the IGR declined by 11.7% YoY to N612.87 billion.

### Crude Oil

In its October Short-Term Energy Outlook, the EIA lowered its forecast for crude oil consumption in Q4 by 0.448mbpd to 97.05mbpd, with full year 2020 consumption now revised lower by 0.230mbpd to 92.84mbpd (below 2019 average of 101.5mbpd). While the relaxation of lockdown restrictions across industrial economies and the construction of a new petrochemical crackers in China during the second half of 2020 are expected to support demand, EIA lowered Q4 demand projection in OECD and Non-OECD by 0.344mbpd and 0.100mbpd to 44.33mbpd and 52.73mbpd respectively. The EIA's weekly US Petroleum Report released last week estimates crude oil in commercial storage increased by 0.5 million barrels (compared to decrease of 2.0 million barrels in the prior week) to 492.9 million barrels (which is about 12% above the five-year average). After two weeks of combined 9.12% decline in Brent crude price, market regained the entire loss last week with appreciating 9.12% WoW to \$42.85/barrel. The price at the end of last week reduced the year to date decline to 36.8% and is 53.0% above the Federal Government of Nigeria 2020 revised budget benchmark of \$28/barrel.

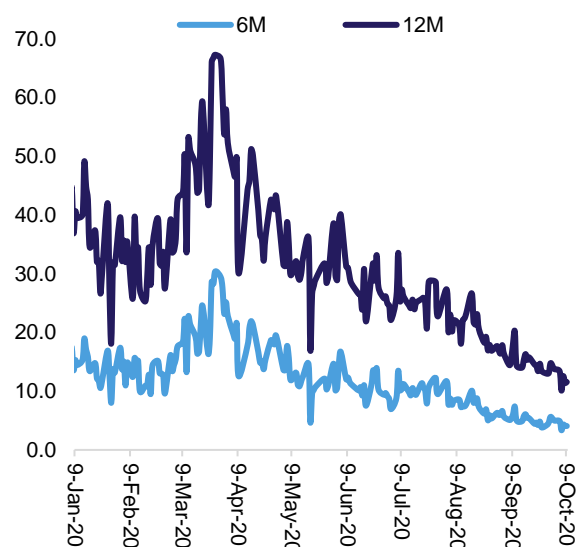
### Foreign Exchange and Reserve

As of Thursday (Oct. 08, 2020), the gross external reserves depleted by \$14 million to \$35.73 billion when compared to \$35.74 billion as of Sep. 30. The Naira appreciated at the BDC and parallel market last week by 0.66% and 1.76% to N454.5/\$ each, while the IEW rate remained broadly flat (-1bps to N385.83/\$). The 6-months and 12-months forward points traded lower by N0.93 and N2.22 to respective rates of N 389.90/\$ and N397.39/\$. Activity slowed at the OTC futures market last week, with the sum of transaction of \$66.40 million compared to \$145.92 in the prior week.

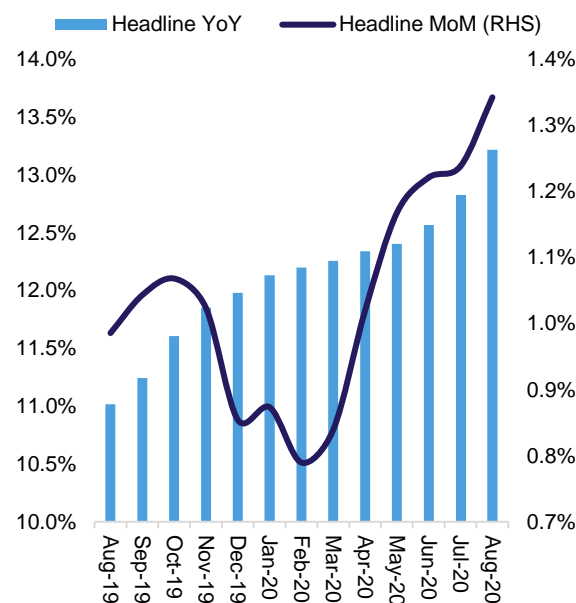
### Fixed Income

With the absence of primary market auctions last week, average fixed income yields in the secondary market fell by 49bps to 3.53% following decline at both ends of the curve. Average bond yields dropped by 58bps WoW to 5.62%,

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



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



following contraction across the curve with notable falls in the Feb-2028 (-149bps), Jan-2026 (-127bps), March-2027 (-110bps) and July-2034 (-77bps). Average NTB yields contracted by 41bps to 1.44% with the major decline stemming from the 270-day (-87bps) bill. Elsewhere, average FGN Eurobond yields fell by 75bps to 6.66%, following declines across the curve, with the most notable decline in the Jan-2021 (206bps) and Feb-2032 (-87bps).

### Equities

The Nigerian equities market closed higher last week by 5.30% WoW, rounding off 28,415.31 points with market capitalisation at N14.9 trillion. The positive performance emanated from gains in the Banking (+7.8%), Industrial Goods (+2.7%), Consumer Goods (+2.0%), Oil & Gas (+2.0%), and Insurance (+2.0%) indices. Best performing stocks last week were INTBREW (21.03%), FBNH (+19.23%), ACCESS (+16.42%), PRESCO (+14.15%), WAPCO (+12.21%), ZENITH (+10.80%), MTNN (+8.1%), AIRTELAFRI (+7.8%), GUARANTY (+4.8%) and DANGCEM (+4.2%).

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

Foreign Exchange rates	02-Oct-20	05-Oct-20	06-Oct-20	07-Oct-20	08-Oct-20	09-Oct-20
CBN Official	379.00	380.00	379.00	379.00	379.00	37900.00%
NAFEX	385.80	386.00	386.00	386.00	385.83	38583.00%
BDC	457.50	445.00	454.50	454.50	454.50	45450.00%
Parallel	462.50	454.00	455.50	455.50	454.50	45450.00%
Money Market rates %	02-Oct-20	05-Oct-20	06-Oct-20	07-Oct-20	08-Oct-20	09-Oct-20
Open Buy Back (OBB)	1.00	0.88	0.83	0.75	0.65	4.00
Overnight (O/N)	1.58	1.56	1.50	1.38	1.30	4.88
FGN Bonds %	02-Oct-20	05-Oct-20	06-Oct-20	07-Oct-20	08-Oct-20	09-Oct-20
Jul-21	2.09	2.08	2.08	1.89	1.77	1.82
Jan-22	2.60	2.53	2.50	2.48	2.45	3.01
Apr-23	3.13	3.10	3.09	3.12	3.11	3.10
Mar-24	3.64	3.98	3.38	3.18	3.17	3.17
Mar-25	4.23	5.01	3.95	3.95	3.95	3.94
Jan-26	5.92	5.84	5.66	5.49	5.10	4.65
Mar-27	6.74	6.78	6.77	6.40	5.98	5.64
Feb-28	7.25	7.19	7.19	6.51	6.00	5.76
Jul-30	7.86	7.80	7.36	7.36	7.36	7.23
Jul-34	8.87	8.63	8.63	8.63	8.63	8.10
Mar-36	8.71	8.71	8.68	8.68	8.44	8.14
Apr-37	8.80	8.80	8.71	8.71	8.32	8.17
Apr-49	9.32	9.22	10.03	8.95	8.95	8.95
Mar-50	9.36	9.25	10.13	8.97	9.00	9.01
T-Bills	02-Oct-20	05-Oct-20	06-Oct-20	07-Oct-20	08-Oct-20	09-Oct-20
NGOMOB 10/27/20	1.58	1.58	1.58	1.58	1.11	0.80
NGOMOB 11/24/20	1.62	1.62	1.62	1.62	1.13	1.00
NGOMOB 12/29/20	1.58	1.58	1.58	1.58	1.25	1.25
NGOMOB 01/26/21	2.08	1.77	1.77	1.77	1.22	1.14
NGOMOB 02/23/21	2.01	2.01	2.01	2.01	2.01	2.00
NGOMOB 03/30/21	1.85	1.51	1.51	1.51	1.51	1.51
NGOMOB 05/25/21	2.09	2.07	2.07	2.07	2.07	1.83
NIGTB 11/26/20	1.21	1.21	1.05	1.05	1.05	1.05
NIGTB 01/28/21	1.21	1.21	1.11	1.11	1.12	1.12
NIGTB 04/29/21	1.98	1.98	1.33	1.33	1.33	1.33
NIGTB 07/29/21	2.77	2.76	1.96	1.83	1.83	1.83
FBN Eurobonds	02-Oct-20	05-Oct-20	06-Oct-20	07-Oct-20	08-Oct-20	09-Oct-20
\$500M JUL 2023	5.57	5.44	5.29	5.25	5.06	4.86
\$1.118B NOV 2025	6.66	6.63	6.48	6.42	6.24	6.08
\$1.5BN NOV 2027	7.32	7.28	7.10	6.99	6.77	6.58
\$1.25B FEB 2030	7.90	7.87	7.66	7.57	7.31	7.13
\$1.0B JAN 2031	8.42	8.38	8.17	8.07	7.80	7.60
\$1.5B FEB 2032	8.50	8.43	8.18	8.10	7.85	7.63
\$1.25BN FEB 2038	8.80	8.74	8.51	8.45	8.22	8.03
\$1.5BN NOV 2047	8.65	8.58	8.39	8.33	8.10	7.99
\$750M JAN 2049	9.34	9.30	9.09	9.03	8.80	8.68

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