

Weekly Economic and Financial Commentary

Global Economy

The UK Q3 2020 GDP data released last week showed the damage inflicted by COVID-19 still lingered, with GDP contracting for the third consecutive quarter by 9.6% YoY in Q3 (milder than 21.5% YoY contraction in Q2). However, the ongoing efforts to reopen businesses, showed some gains with the GDP expanding 15.5% QoQ (from 19.8% QoQ contraction in Q2). While output in the services, production and construction sectors increased by record amounts in Q3 2020, the level of output remains below Q4 2019 levels, before the impact of the coronavirus (COVID-19) pandemic was seen. With the renewed restrictions, the UK economy will continue to record YoY contraction in growth once again in the fourth quarter.

Data released last week by the U.S Bureau of Labour Statistics showed consumer prices rose 1.2% YoY (from 1.4% YoY in September), with a flat movement MoM (from 0.2% MoM in September). The slower YoY number was dominated by continued moderation in energy prices, which more than offset the increases in food prices and still elevated prices of all items less food and energy (Core index). The core index moderated to 1.6% YoY (+1.7% YoY in September), following MoM moderation in prices in used cars and trucks index (+11.5% YoY and -0.1% MoM). The energy index on the other hand declined 9.2% YoY from -7.7% YoY in the prior month.

In China, data released last week showed consumer prices rose at a much slower rate by 0.5% YoY (from 1.7% YoY in September) and -0.3% MoM (from 0.2% MoM in September). Prices of food fell 1.2% MoM and +2.4% YoY (+0.3% MoM and +6.4% YoY in September), affecting nearly 0.76% increase in the CPI. The headline growth was further moderated by declines in the prices for transport and communication (-3.9% YoY), housing (-0.7% YoY) and clothing (-0.3% YoY).

Domestic Economy

The Federal Executive Council (FEC) last week announced Nigeria finally ratified its membership of the African Continental Free Trade Area (AfCFTA) ahead of the December 5, 2020 deadline. The agreement which is meant to create the largest trading bloc since the World Trade Organisation (WTO) in 1995, will come into effect on January 1st, 2021. The major objective is to expand intra-African trade through better harmonization and coordination of trade liberalization.

Sections

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

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

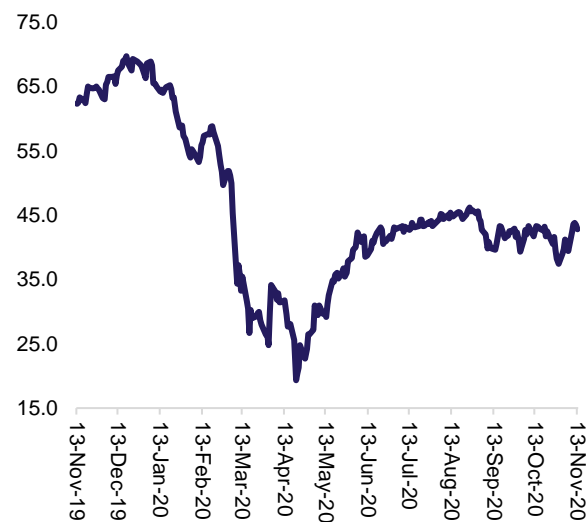
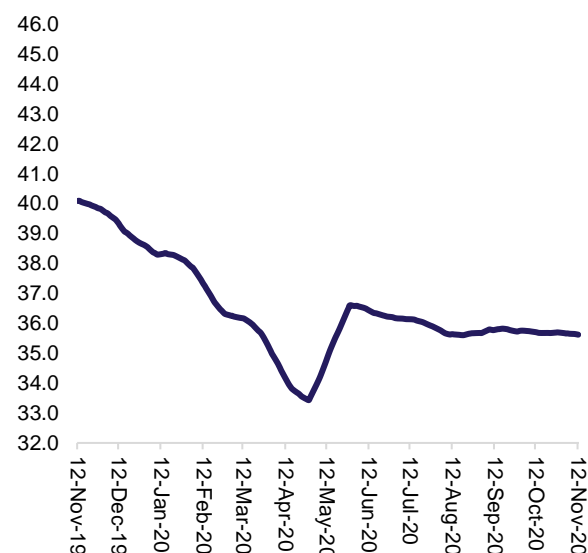


Figure 2: Movement in Gross Reserve (\$Bn)



The Petroleum Products Marketing Company (PPMC), in a new memo, increased the ex-depot price of PMS by 5.1% to N155.17/litre (from average of N147.7 in October) for the month of November. As such, the expected pump price per litre is estimated within the range of N167/litre and N174.5.

Crude Oil

OPEC Monthly Oil Market Report for the month of November showed production by 10 OPEC members in the accord declined by 73kbpd to 21.53mbpd (285kbpd below the stipulated August to December quota) compared to 21.603mbpd in September. On the October production relative to expected cut based on the Phase 2 agreement, the group achieved a compliance rate of 104% (from 101% in September). Adjusting for the expected compensatory cuts neutered the September compliance rate to just 81%. Nigeria's production remained at a level last seen when Niger Delta militants attacked oil infrastructures in 2016. In its November Short-Term Energy Outlook, the EIA lowered its forecast for crude oil consumption in Q4 further by 302kbpd to 96.75mbpd, with full year 2020 consumption of 92.91mbpd (below 2019 average of 101.5mbpd). Global production is estimated to increase by 2.20mbpd in November, dominated by increase production among OPEC (+1.47mbpd) and non-OPEC members (+733kbpd). Crude oil prices rose 8.44% last week to \$42.66/barrel with the Bonny Light-Brent discount widening to \$0.12/barrel from \$0.09/barrel last week. The price at the end of last week reduced the year to date decline to 36.9% and is 54.8% above the Federal Government of Nigeria 2020 revised budget benchmark of \$28/barrel.

Foreign Exchange and Reserve

As of Thursday (Nov. 12, 2020), the gross external reserves depleted by \$37.3 million to \$35.61 billion when compared to \$35.65 billion as of Nov. 05. The Naira depreciated at the BDC and parallel segment last week by 0.65% and 0.86% to N461.5/\$ and N465.0/\$ respectively, while it traded flat at the IEW to close at N386.0/\$. The 6-months and 12-months forward points traded lower last week by N1.54 and N2.48 to N388.41/\$ and N387.33 respectively. Activity slowed at the OTC futures market last week, with the sum of transaction of \$19.06 million compared to 24.86 million in the prior week.

Fixed Income

At last week's NTB auction, while the DMO offered and sold N167.81 billion worth of bills, subscription at the auction came in at N603.06 billion, with N411.09 billion of the subscription for the 1-year instrument with an offer of just N107.94 billion. Average stop rate at the auction declined by 45bps to 0.16%, with the 1-year stop rate falling to 0.30%. Also, at the OMO auction last week, compared to N70 billion offered by the CBN, subscription settled at N407.3 billion, with the 1-year stop rate declining further to 7.05%. In the secondary

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

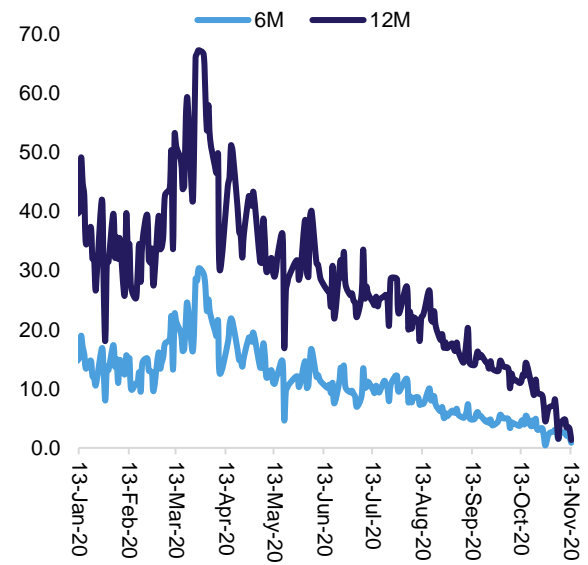
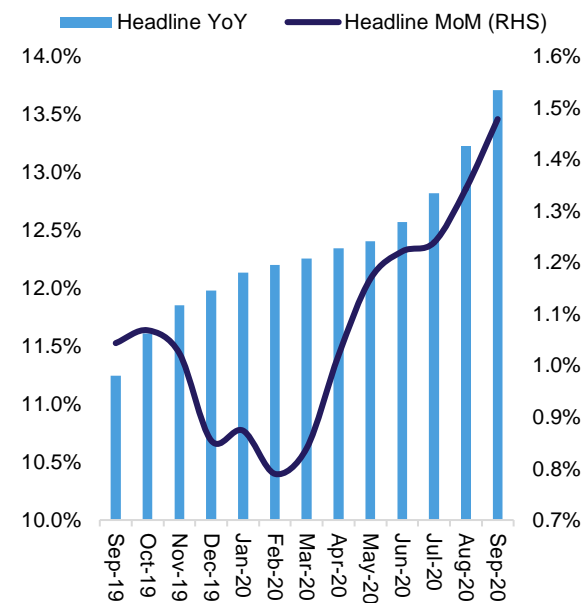


Figure 4: Nigeria YoY and MoM Inflation Trend



market, the average fixed income yields declined by 12bps WoW to 1.86% dominated by declines in NTB yields. Average NTB yields declined by 39bps 0.11% as the demand rush persisted. Average bond yields on the other hand increased by 15bps WoW to 3.61% following a sell-off in the Mar-2024 (+102bps), Apr-2029 (+51bps) and Feb2028 (+46bps) bonds. Elsewhere, average FGN Eurobond yields contracted by 24bps to 6.24%, following buy sentiment across the curve save for the Jan-2021 (+12bps). The contraction is most notable in the Feb-2032 (-34bps), Nov-2025 (-33bps) and Feb-2038 (-32bps).

Equities

The positive sentiment in the Nigerian equities market persisted with the NSE ASI rising by 12.97% WoW, rounding off 35,037.46 points with market capitalisation closing at N16.3 trillion. The positive performance was broad based – Industrial (+17.0%), Banking (+14.4%), Consumer Goods (+11.4%), Oil and Gas (+5.3%) and Insurance (+4.9%) indices. Best performing stocks last week were OANDO (+48.15%), DANGSUGAR (+34.55%), WAPCO (+23.59%), BUACEMENT (+20.93%), NB (+21.35%), ZENITH (+21.75%), DANGCEM (+14.61%) and GUARANTY (+8.66%). While ETERNA (-2.00%), AIICO (-2.17%) and UAC-PROP (-3.70%) 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	6-Nov-20	9-Nov-20	10-Nov-20	11-Nov-20	12-Nov-20	13-Nov-20	WoW % Change
CBN Official	379.00	379.00	379.00	379.00	379.00	379.00	0.00%
NAFEX	386.00	385.67	385.67	385.83	385.67	386.00	0.00%
BDC	458.50	458.50	458.50	459.50	459.50	461.50	-0.65%
Parallel	461.00	462.00	462.50	463.00	464.00	465.00	-0.86%
Money Market rates %	6-Nov-20	9-Nov-20	10-Nov-20	11-Nov-20	12-Nov-20	13-Nov-20	WoW Change (bps)
Open Buy Back (OBB)	5.70	1.92	0.75	0.64	0.43	0.50	-520.00
Overnight (O/N)	6.40	2.33	1.19	1.05	0.75	0.63	-577.50
FGN Bonds %	6-Nov-20	9-Nov-20	10-Nov-20	11-Nov-20	12-Nov-20	13-Nov-20	WoW Change (bps)
Jul-21	0.49	0.59	0.59	0.52	0.52	0.18	-30.61
Jan-22	0.96	0.87	0.84	1.06	1.03	1.00	4.48
Apr-23	2.68	2.65	2.09	2.02	1.90	1.89	-78.71
Mar-24	1.10	1.08	1.07	1.06	1.05	2.12	101.79
Mar-25	2.24	2.23	2.40	2.39	2.39	2.38	13.97
Jan-26	3.17	3.16	3.45	3.54	3.54	3.43	26.56
Mar-27	3.65	3.45	3.58	3.67	3.67	3.66	1.07
Feb-28	3.69	3.68	3.68	4.15	4.15	4.15	46.27
Jul-30	4.31	4.32	4.35	4.74	4.74	4.70	38.31
Jul-34	5.04	5.10	5.21	5.17	5.17	5.00	-3.79
Mar-36	4.99	5.10	5.10	5.18	5.19	5.19	19.68
Apr-37	4.90	5.10	5.10	5.10	5.10	5.10	20.14
Apr-49	7.12	7.12	7.20	7.19	7.19	7.18	5.68
Mar-50	6.96	6.96	6.85	7.15	7.15	7.15	18.57
T-Bills	6-Nov-20	9-Nov-20	10-Nov-20	11-Nov-20	12-Nov-20	13-Nov-20	WoW Change (bps)
NGOMOB 11/24/20	0.40	0.40	0.40	0.40	0.40	0.10	-30.01
NGOMOB 12/29/20	0.15	0.15	0.15	0.15	0.15	0.15	-0.08
NGOMOB 01/26/21	0.29	0.29	0.29	0.07	0.07	0.07	-22.31
NGOMOB 02/23/21	0.12	0.11	0.14	0.14	0.14	0.16	4.66
NGOMOB 03/30/21	0.21	0.13	0.36	0.36	0.36	0.36	14.82
NGOMOB 05/25/21	0.35	0.18	0.32	0.32	0.32	0.32	-3.51
NGOMOB 10/26/21	0.21	0.21	0.25	0.25	0.25	0.15	-6.09
NIGTB 11/26/20	0.39	0.39	0.39	0.39	0.39	0.04	-35.21
NIGTB 01/28/21	0.34	0.34	0.34	0.34	0.34	0.06	-27.60
NIGTB 04/29/21	0.62	0.70	0.69	0.66	0.66	0.10	-52.08
NIGTB 07/29/21	0.35	0.50	0.48	0.36	0.36	0.13	-21.97
NIGTB 10/28/21	0.24	0.39	0.39	0.20	0.20	0.20	-4.02
FBN Eurobonds	6-Nov-20	9-Nov-20	10-Nov-20	11-Nov-20	12-Nov-20	13-Nov-20	WoW Change (bps)
\$500M JUL 2023	4.31	4.31	4.08	3.95	3.98	4.02	-29.00
\$1.118B NOV 2025	5.89	5.89	5.60	5.52	5.51	5.56	-33.00
\$1.5BN NOV 2027	6.46	6.46	6.23	6.10	6.12	6.16	-30.00
\$1.25B FEB 2030	7.09	7.09	6.91	6.78	6.81	6.84	-25.00
\$1.0B JAN 2031	7.61	7.61	7.41	7.30	7.33	7.36	-25.00
\$1.5B FEB 2032	7.65	7.65	7.39	7.25	7.27	7.31	-34.00
\$1.25BN FEB 2038	8.02	8.02	7.76	7.64	7.65	7.70	-32.00
\$1.5BN NOV 2047	7.95	7.95	7.79	7.68	7.70	7.74	-21.00
\$750M JAN 2049	8.56	8.56	8.42	8.33	8.35	8.39	-17.00

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