

Weekly Economic and Financial Commentary

Global Economy

Data from China’s National Bureau of Statistics released last week showed China’s economy expanded 4.9% YoY in Q3 2020 (below average growth rate of 6.3%), an improvement from 3.2% YoY in Q2 and the Covid-19 induced contraction of 6.8% YoY in Q1 2020. On a quarter-on-quarter basis, GDP expanded by 2.9% in Q3, compared with a 11.7% QoQ growth in Q2. The Q3 performance emanated from growth in agriculture (crop farming) by 3.9% YoY (Q2: +3.9% YoY), industrial production grew by 5.8% YoY (Q2: +4.4% YoY) and service sector growth of 4.3% YoY (Q2: +1.9% YoY). Also, net exports grew by 7.5% YoY (Q2: 0.2% YoY) and retail sales quarter grew by 0.9% YoY, the first positive growth in 2020.

Preliminary estimates of the Eurozone and U.S Purchasing Managers’ Index (PMI) showed slight divergence in direction of economic activity. While the U.S composite PMI printed at 55.5 (September: 54.3), the Eurozone PMI dropped to 49.4 (October: 50.4). For the Eurozone, the deceleration emanated from contracting services PMI of 46.2 (September: 48.0), which offset improvement in manufacturing PMI of 54.4 (September: 53.7). For the U.S, both manufacturing and services PMI remained in the expansion territory at 53.0 and 56.0 (September: 53.1 and 54.6) respectively.

Data released by the UK Office for National Statistics (ONS) last week showed the inflation rate rose to 0.5% YoY in September (from 0.2% YoY in August) and Core inflation rose to 1.2% YoY from 1.1% YoY in August. The increases emanated from higher transport costs, and restaurant and café prices, following the end of the Eat Out to Help Out scheme. Also, separate data released by the ONS showed that the headline rate of output inflation for goods leaving the factory gate was negative 0.9% YoY in September, unchanged from June. The price for materials and fuels used in the manufacturing process showed negative growth of 3.7% YoY, up from negative growth of 5.6% in August 2020.

Domestic Economy

The federally retained revenue stood at N2.52 trillion at the end of August 2020, 70.4% of the prorated budget of N3.58 trillion. The underperformance emanated from much lower receipts from VAT, CIT and Customs revenue. Also, independent revenue and other FGN specific revenue projections disappointed over the period. FGN expenditure on the other hand stood at

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

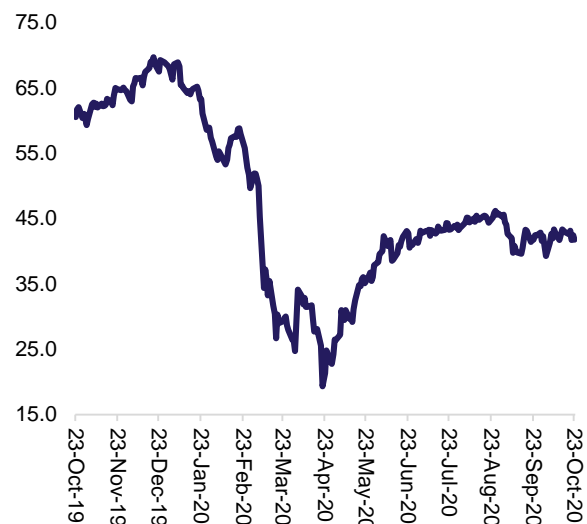
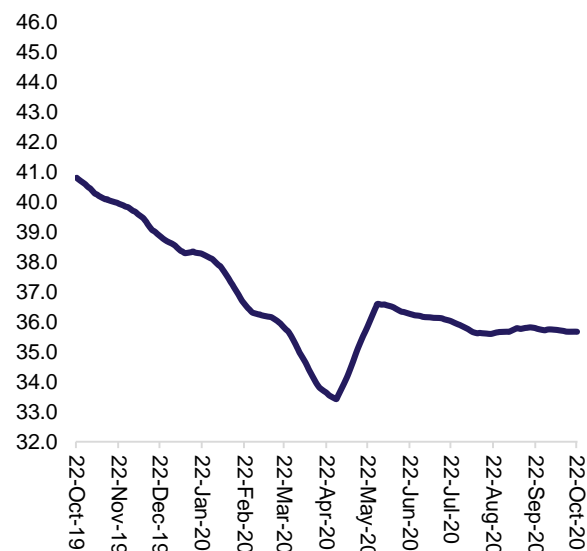


Figure 2: Movement in Gross Reserve (\$Bn)



N6.25 trillion, just 6.1% below the prorated budget. Non-debt recurrent expenditure accounted for 48% of the total expenditure, while debt service accounted for 34% with capital expenditure at just 12% of the total expenditure. Debt service to revenue was 84.7% as at August 2020. Overall the FGN recorded a deficit N3.7 trillion as at August, with actual net borrowing over same period of N1.5 trillion. In a bid to increase local content, the federal government last week barred foreign firms from contracts worth N5 billion and below.

### Crude Oil

The EIA's weekly US Petroleum Report released last week estimates crude oil in commercial storage decreased by 1.0 million barrels (compared to a decrease of 3.8 million barrels in the prior week) to 488.1 million barrels (which is about 10% above the five-year average). With a resurgence in the coronavirus pandemic dampening the demand outlook and the return of more Libyan barrels to the market (following the lifting of the force majeure on the country's largest Sharara oil field), crude oil prices traded lower last week by 2.7% to \$41.77/barrel with the Bonny Light-Brent discount narrowing to \$0.33/barrel from \$0.97/barrel last week. The price at the end of last week increased the year to date decline to 38.4% and is 49.2% above the Federal Government of Nigeria 2020 revised budget benchmark of \$28/barrel.

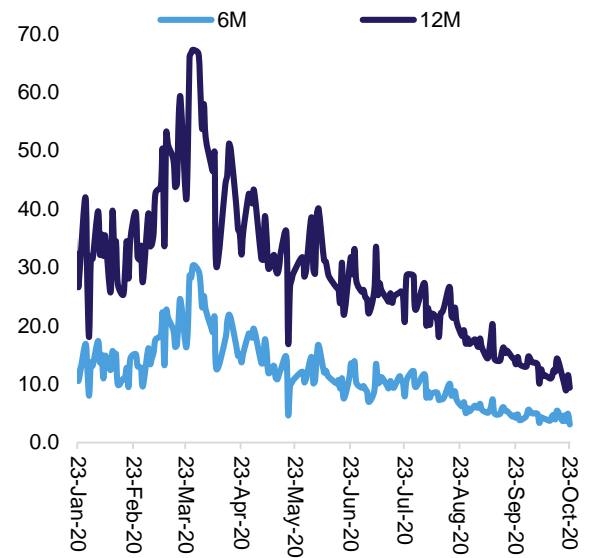
### Foreign Exchange and Reserve

As of Thursday (Oct. 22, 2020), the gross external reserves depleted by \$2.4 million to \$35.67 billion when compared to \$35.672 billion as of Oct. 15. The Naira depreciated at the IEW, BDC and parallel market last week by 0.04%, 0.44% and 0.11% to N386.0/\$, N457.5/\$ and N460.0/\$ respectively. The 6-months and 12-months forward points traded lower by N2.38 and N5.03 to respective rates of N 389.09/\$ and N395.39/\$. Activity improved at the OTC futures market last week, with the sum of transaction of \$39.70 million compared to \$24.50 million in the prior week.

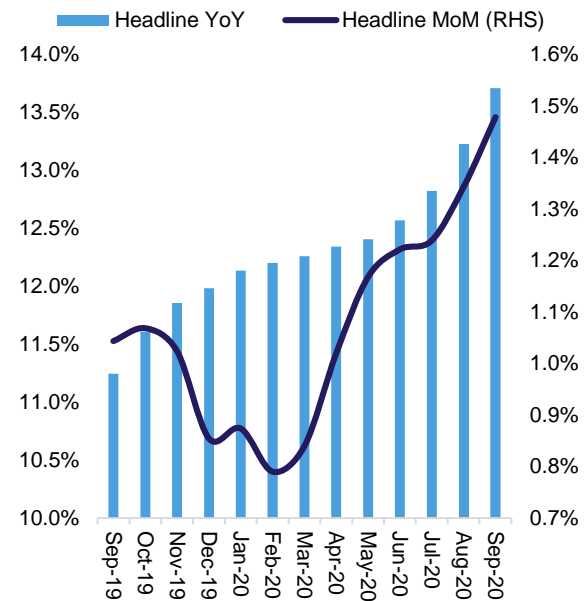
### Fixed Income

At last week's Bond auction, compared to N30 billion offered by DMO across 2 instruments (March-2035 and July-2045), total subscription came in at N235.87 billion the DMO only allotting N50 billion worth of bonds. to exceed maturing instruments of N124.9 billion. The average stop rate at the auction declined by 322bps to 5.49% from 8.81% at the last auction. Average fixed income yields in the secondary market fell by 69bps to 2.16% following decline at both ends of the curve. Average bond and NTB yields each dropped by 70bps WoW to 3.89% and 0.42% respectively. Elsewhere, average FGN Eurobond yields expanded by 39bps to 7.13%, following sell-off across the curve with the most notable expansion in the Jan-2021 (+68bps), Feb-2030 (+33bps), Feb-2033 (+29bps) and Jan-2031 (+28bps).

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



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



### Equities

The Nigerian equities market closed higher last week by 0.13% WoW, rounding off 28,697.06 points with market capitalisation closing at N14.9 trillion. The positive performance emanated from gain in the Consumer Goods (+2.9%) index, which more than neutered decline in the Banking (-1.4%), Oil & Gas (-0.7%), Insurance (-0.6%) and Industrial Goods (-0.1%). Best performing stocks last week were n INTBREW (+18.20%), NB (+5.69%), CONOIL (+9.72%), FLOURMILL (+6.24%), NASCON (+10.00%) and STANBIC (+2.33%). While ETERNA (-8.98%), CADBURY (-6.83%), WAPCO (-5.04%) and GUINNESS (-5.34%) 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	16-Oct-20	19-Oct-20	20-Oct-20	21-Oct-20	22-Oct-20	23-Oct-20	WoW % Change
CBN Official	379.00	379.00	379.00	379.00	379.00	379.00	0.00%
NAFEX	385.83	386.00	385.75	385.75	386.00	386.00	-0.04%
BDC	455.50	455.50	456.00	457.50	457.50	457.50	-0.44%
Parallel	459.50	459.50	460.00	460.00	460.00	460.00	-0.11%
Money Market rates %	16-Oct-20	19-Oct-20	20-Oct-20	21-Oct-20	22-Oct-20	23-Oct-20	WoW Change (bps)
Open Buy Back (OBB)	1.17	1.00	0.50	0.50	0.67	9.00	783.33
Overnight (O/N)	2.00	1.88	0.88	0.88	1.33	9.75	775.00
FGN Bonds %	16-Oct-20	19-Oct-20	20-Oct-20	21-Oct-20	22-Oct-20	23-Oct-20	WoW Change (bps)
Jul-21	1.55	1.40	0.98	0.97	0.79	0.80	-74.99
Jan-22	2.44	2.89	2.90	2.77	2.76	3.13	69.06
Apr-23	2.98	2.96	2.95	2.94	2.93	3.18	20.07
Mar-24	3.36	3.01	2.99	3.06	3.05	3.22	-14.44
Mar-25	3.81	3.06	3.03	3.19	3.19	3.26	-54.61
Jan-26	4.17	3.11	3.06	3.30	3.30	3.30	-87.16
Mar-27	4.76	4.75	4.75	4.74	3.35	3.34	-141.72
Feb-28	5.02	4.30	4.00	4.00	4.00	4.00	-102.20
Jul-30	5.24	5.81	4.85	4.85	4.17	4.17	-107.12
Jul-34	5.90	5.43	5.37	5.37	5.00	5.01	-89.51
Mar-36	6.32	5.51	5.27	5.27	5.00	5.25	-106.62
Apr-37	6.31	5.59	5.59	5.59	5.00	5.04	-127.02
Apr-49	7.36	7.01	6.85	6.85	6.85	6.88	-47.96
Mar-50	7.44	7.12	6.95	6.95	6.99	7.03	-41.89
T-Bills	16-Oct-20	19-Oct-20	20-Oct-20	21-Oct-20	22-Oct-20	23-Oct-20	WoW Change (bps)
NGOMOB 11/24/20	0.63	0.63	0.56	0.50	0.50	0.36	-26.95
NGOMOB 12/29/20	0.86	0.75	0.71	0.50	0.50	0.41	-44.92
NGOMOB 01/26/21	1.14	0.75	0.61	0.50	0.50	0.45	-68.81
NGOMOB 02/23/21	1.00	0.75	0.52	0.50	0.50	0.49	-51.28
NGOMOB 03/30/21	1.66	1.66	0.71	0.71	0.71	0.54	-112.11
NGOMOB 05/25/21	2.08	2.08	2.08	2.08	2.08	0.62	-145.35
NIGTB 11/26/20	0.66	0.66	0.66	0.66	0.40	0.39	-27.43
NIGTB 01/28/21	0.59	0.59	0.59	0.59	0.50	0.34	-25.14
NIGTB 04/29/21	1.09	0.69	0.69	0.69	0.33	0.26	-83.24
NIGTB 07/29/21	1.67	0.66	0.50	0.50	0.50	0.50	-116.79
FBN Eurobonds	16-Oct-20	19-Oct-20	20-Oct-20	21-Oct-20	22-Oct-20	23-Oct-20	WoW Change (bps)
\$500M JUL 2023	4.93	4.84	4.89	5.05	5.02	5.00	7.00
\$1.118B NOV 2025	6.28	6.15	6.28	6.48	6.53	6.50	22.00
\$1.5BN NOV 2027	6.91	6.72	6.89	7.11	7.16	7.11	20.00
\$1.25B FEB 2030	7.43	7.27	7.42	7.66	7.72	7.76	33.00
\$1.0B JAN 2031	7.95	7.79	7.94	8.18	8.24	8.23	28.00
\$1.5B FEB 2032	8.03	7.85	8.02	8.28	8.36	8.32	29.00
\$1.25BN FEB 2038	8.39	8.24	8.39	8.63	8.68	8.64	25.00
\$1.5BN NOV 2047	8.32	8.17	8.31	8.47	8.53	8.50	18.00
\$750M JAN 2049	8.97	8.81	8.93	9.08	9.12	9.08	11.00

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