

Weekly Economic and Financial Commentary

Global Economy

The US economy registered a sharp rebound in economic activity in Q3 2020, a significant recovery from the sharpest contraction in over 74 years. The economy expanded 33.1% YoY in Q3 from a contraction of 31.4% YoY in Q2. The expansion emanated from the continued efforts to reopen businesses and resume activities that were postponed or restricted due to COVID-19. The expansion in GDP was widespread with personal consumption expenditure increasing 40.7% YoY (from a fall of 33.2% YoY in Q2), private sector investment rose sharply by 83% YoY (from a decline of 46.7% YoY in Q2). On the other hand, net trade contributed negatively to top-line GDP in Q3 following a faster increase in imports by 91% YoY compared to growth in exports by 59.7% YoY, and government spending also declined 4.5% YoY (from an expansion of 2.5% YoY in Q2). Household disposable incomes expanded 7.7% YoY in Q3, and the savings rate rose by 136% YoY on average due to government income support to offset wage losses.

Elsewhere, the damage inflicted by COVID-19 still lingered in the Euro Area, with GDP contracting for the third consecutive quarter by 4.3% YoY in Q3 (milder than 14.8% YoY contraction in Q2). However, the ongoing efforts to reopen businesses, showed some gains with the GDP expanding 12.7% QoQ (from 11.8% QoQ contraction in Q2). The contraction relative to same quarter of the previous year largely reflects falls across large economies. French GDP slowed 4.3% YoY (+18.2% QoQ), Italian GDP declined 4.7% YoY (+16.1% QoQ), Germany GDP fell 4.2% YoY (+8.2% QoQ) and Spanish GDP contracted 8.7% YoY (+16.7% QoQ). Separate data revealed unemployment rate rose to 8.3% at the end of September compared to 7.9% at the end of Q2 20 and 7.5% in September 2019. Germany (4.5% from 4.4% in Q2), Spain (16.5% from 16.0% in Q2), Italy (9.6% from 9.4% in Q2) and France (7.9% from 6.6% in Q2) all recorded increases in unemployment rate.

Domestic Economy

Purchasing Managers' Index Report released by the Central Bank of Nigeria last week showed business remained in contraction in the month of October, with the manufacturing PMI printing at 49.4 (compared to 46.9 in September) following increase in production level (50.0 vs 47.3 in September), new orders (51.2 vs 46.4 in September), inventory (46.2 in September vs 43.0 in September) and employment level (46.0 vs 44.1 in September). Also, non-

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

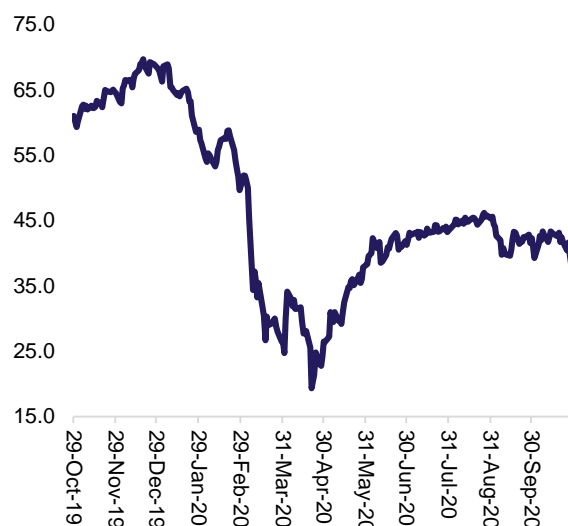
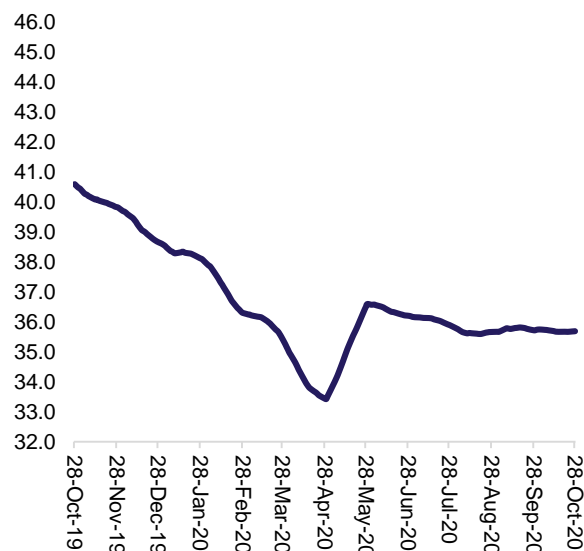


Figure 2: Movement in Gross Reserve (\$Bn)



manufacturing PMI remained in contraction but improved in October to 46.8 from September level of 41.9 following improvement in business activity index (48.7 vs 43.7 in September), new orders (47.8 vs 39.5 in September) and employment level (44.2 vs 41.6 in September).

Crude Oil

The EIA's weekly US Petroleum Report released last week estimates crude oil in commercial storage increased by 4.3 million barrels (compared to a decrease of 1.0 million barrels in the prior week) to 492.4 million barrels (which is about 9% above the five-year average). With a resurgence in the coronavirus pandemic which sparked renewed lockdown in France and Germany, dampening the demand outlook for crude oil. On the supply side, with reports that Libyan oil output could reach 1mbpd by mid-November following the lifting of the force majeure on the country's largest Sharara oil field also dampened sentiment. Crude oil prices fell to the weakest level last seen in June last week, falling 10.3% to \$37.46/barrel with the Bonny Light-Brent discount narrowing to \$0.15/barrel from \$0.33/barrel last week. The price at the end of last week increased the year to date decline to 44.7% and is 33.8% above the Federal Government of Nigeria 2020 revised budget benchmark of \$28/barrel.

Foreign Exchange and Reserve

As of Wednesday (Oct. 28, 2020), the gross external reserves appreciated by \$20.2 million to \$35.69 billion when compared to \$35.67 billion as of Oct. 23. The Naira depreciated at the BDC segment by 0.11% to N458/\$, traded flat at the IEW to close at N386.0/\$ and appreciated at the parallel market by 0.11% to N459.5/\$. The 6-months and 12-months forward points traded lower by N0.76 and N2.65 to respective rates of N388.33/\$ and N392.74/\$. Activity improved at the OTC futures market last week, with the sum of transaction of \$102.89 million compared to \$39.70 million in the prior week.

Fixed Income

At last week's NTB auction, while the DMO offered and sold N154.38 billion, subscription at the auction came in at N821.49 billion, with N694.96 billion of the subscription for the 1-year instrument. Average stop rate at the auction declined by 72bps to 0.61%, with the 1-year stop rate falling to 0.98%. Also, at the OMO auction last week, compared to N100 billion offered by the CBN, subscription settled at N387.4 billion, with the 1-year stop rate declining further to 7.49%. Average fixed income yields in the secondary market fell by 3bps to 2.13%. Average bond yields fell 18bps to 3.71% as investors were keen on the JAN-2022 (-78bps), APR-2023 (-55bps), FEB-2028 (-56bps) and MAR-2036 (-25bps) bonds. Average NTB yields rose by 12bps to 0.54%. Elsewhere, average FGN Eurobond yields contracted by 7bps to 7.06%, following buy sentiment across the curve with the most notable declines in the Jan-2021

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

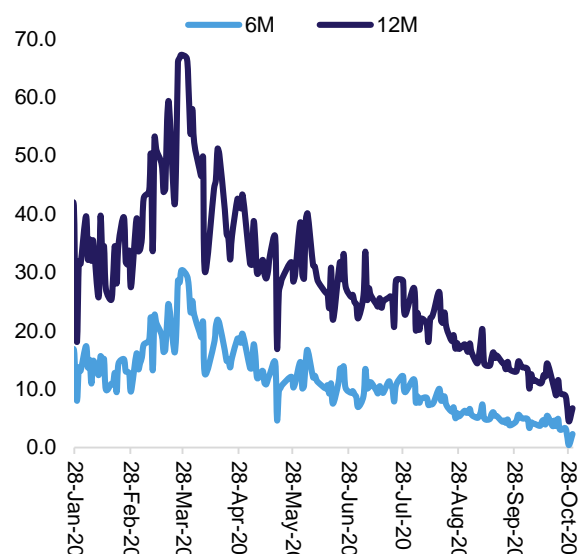
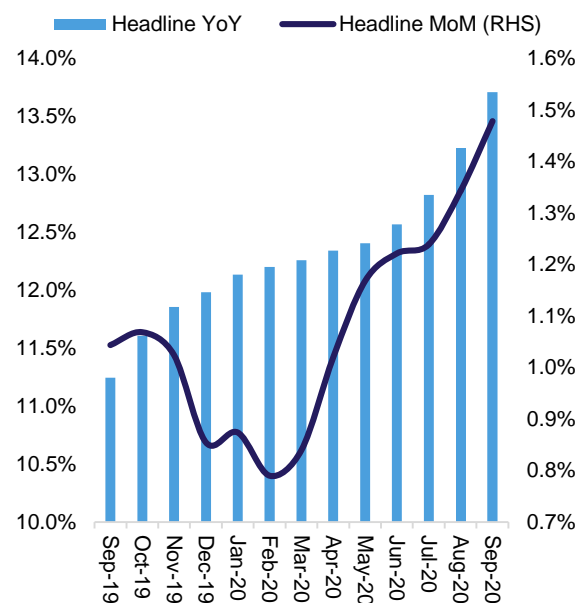


Figure 4: Nigeria YoY and MoM Inflation Trend



(-28bps), Feb-2030 (-7bps), Feb-2038 (-5bps) and Nov-2027 (-5bps).

Equities

The Nigerian equities market closed higher last week by 6.39% WoW, rounding off 30,530.69 points with market capitalisation closing at N15.9 trillion. The positive performance emanated from gain in the Consumer Goods (+12.2%), Banking (+8.0%), Industrial Goods (+7.6%), Oil and Gas (+6.2%) and Insurance (+5.6%) indices. Best performing stocks last week were FLOURMILL (+22.39%), NESTLE (+21.0%), CONOIL (+20.57%), BUACEMENT (+11.3%), GUARANTY (+6.7%), DANGCEM (+5.9%) and STANBIC (+5.7%). While PRESTIGE (-10.00%) and NASCON (-8.39%) 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	22-Oct-20	23-Oct-20	26-Oct-20	27-Oct-20	28-Oct-20	30-Oct-20	WoW % Change	MoM % Change
CBN Official	379.00	379.00	379.00	379.00	379.00	379.00	0.00%	0.00%
NAFEX	386.00	386.00	386.00	386.00	385.67	386.00	0.00%	0.00%
BDC	457.50	457.50	457.50	457.50	458.50	458.00	-0.11%	0.44%
Parallel	460.00	460.00	460.50	460.50	461.50	459.50	0.11%	0.65%
Money Market	22-Oct-20	23-Oct-20	26-Oct-20	27-Oct-20	28-Oct-20	30-Oct-20	WoW Change (bps)	MoM Change (bps)
Open Buy Back	0.67	9.00	6.00	1.00	1.00	1.00	-800.00	0.00
Overnight (O/N)	1.33	9.75	6.25	1.75	1.63	1.25	-850.00	-50.00
FGN Bonds %	22-Oct-20	23-Oct-20	26-Oct-20	27-Oct-20	28-Oct-20	30-Oct-20	WoW Change (bps)	MoM Change (bps)
Jul-21	0.79	0.80	0.66	0.68	0.68	0.89	8.74	-121.12
Jan-22	2.76	3.13	2.39	2.38	2.36	2.35	-78.44	-30.04
Apr-23	2.93	3.18	2.67	2.66	2.65	2.63	-55.35	-51.11
Mar-24	3.05	3.22	2.87	2.86	2.85	2.83	-39.09	-82.08
Mar-25	3.19	3.26	3.10	3.09	3.09	3.06	-20.15	-118.13
Jan-26	3.30	3.30	3.29	3.28	3.28	3.25	-4.81	-271.84
Mar-27	3.35	3.34	3.45	3.31	3.31	3.68	33.63	-306.83
Feb-28	4.00	4.00	3.60	3.60	3.60	3.44	-56.10	-381.63
Jul-30	4.17	4.17	4.16	4.17	4.17	4.16	-1.13	-370.09
Jul-34	5.00	5.01	5.00	5.03	5.03	5.00	-0.22	-386.47
Mar-36	5.00	5.25	5.00	5.04	5.04	5.00	-25.54	-371.10
Apr-37	5.00	5.04	5.01	5.01	5.00	4.90	-13.95	-389.85
Apr-49	6.85	6.88	6.90	7.00	7.14	6.76	-12.68	-256.21
Mar-50	6.99	7.03	7.05	7.16	7.30	6.90	-12.58	-245.97
T-Bills	22-Oct-20	23-Oct-20	26-Oct-20	27-Oct-20	28-Oct-20	30-Oct-20	WoW Change (bps)	MoM Change (bps)
NGOMOB 11/24/20	0.50	0.36	0.39	0.39	0.39	0.39	3.28	-122.66
NGOMOB 12/29/20	0.50	0.41	0.43	0.43	0.43	0.43	1.86	-115.23
NGOMOB 01/26/21	0.50	0.45	0.46	0.46	0.46	0.46	1.00	-139.22
NGOMOB 02/23/21	0.50	0.49	0.49	0.50	0.50	0.50	1.00	-110.95
NGOMOB 03/30/21	0.71	0.54	0.54	0.53	0.53	0.47	-7.03	-137.48
NGOMOB 05/25/21	2.08	0.62	0.62	0.63	0.63	0.35	-27.16	-174.41
NIGTB 11/26/20	0.40	0.39	0.39	0.39	0.39	0.39	0.00	-81.75
NIGTB 01/28/21	0.50	0.34	0.34	0.34	0.34	0.34	0.00	-86.91
NIGTB 04/29/21	0.33	0.26	0.26	0.26	0.26	0.62	35.50	-135.93
NIGTB 07/29/21	0.50	0.50	1.21	1.21	1.21	0.35	-15.10	-241.48
FBN Eurobonds	22-Oct-20	23-Oct-20	26-Oct-20	27-Oct-20	28-Oct-20	30-Oct-20	WoW Change (bps)	MoM % Change
\$500M JUL 2023	5.02	5.00	5.04	4.96	4.85	4.84	-16.00	-85.00
\$1.118B NOV 2025	6.53	6.50	6.54	6.47	6.48	6.46	-4.00	-28.00
\$1.5BN NOV 2027	7.16	7.11	7.15	7.08	7.09	7.06	-5.00	-37.00
\$1.25B FEB 2030	7.72	7.76	7.78	7.72	7.71	7.69	-7.00	-31.00
\$1.0B JAN 2031	8.24	8.23	8.27	8.22	8.22	8.21	-2.00	-28.00
\$1.5B FEB 2032	8.36	8.32	8.36	8.30	8.31	8.29	-3.00	-27.00
\$1.25BN FEB 2038	8.68	8.64	8.67	8.61	8.63	8.59	-5.00	-27.00
\$1.5BN NOV 2047	8.53	8.50	8.54	8.49	8.50	8.47	-3.00	-22.00
\$750M JAN 2049	9.12	9.08	9.13	9.08	9.11	9.10	2.00	-26.00

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