

Weekly Economic and Financial Commentary

Global Economy

The Eurozone and US economy suffered the steepest falls in business activity and employment during April as a result of measures taken to contain the coronavirus outbreak. Recently released April flash PMI data by IHS Markit showed both the Eurozone and US composite PMI declined to 13.5 and 27.4 from 29.7 and 40.9 points in March respectively. The Eurozone services PMI witnessed a material shock, with the number falling to an historic low of 11.7 from 26.4 in March, while the US services number also declined to 27.0 from 39.8 in March. Also reflecting the shutdown of industrial activities, the manufacturing PMI in the Eurozone and US also declined to 33.6 and 36.9 points in April from 44.5 and 48.5 points in March respectively.

Data released by the UK Office for National Statistics (ONS) last week showed the inflation rate moderated to 1.5% in March (from 1.7% YoY in February), following falls in the price of motor fuels and clothing compared to the same period in the prior year. Also, separate data released by the ONS showed that the headline rate of output inflation for goods leaving the factory gate was up 0.3% YoY in March from 0.5% YoY in February. The price for materials and fuels used in the manufacturing process showed negative growth of 2.9% YoY in March, from negative growth of 0.2% in February.

Domestic Economy

Data released last week showed that inflation rate in March expanded by 12.26%, coming ahead of February level of 12.20%. The expansion emanated from increases in both the core and food index. Solidifying the pace in the prior month, the core index surged 30bps to 9.73% YoY, following increases in Furnishing (+12bps to 9.50%), Transport (+6bps to 9.49% YoY), Health (+5bps to 9.99% YoY) amongst others. The food index (+7bps to 14.98% YoY) continues to reflect closure on food prices (with a gradually fading impact as seen in the MoM movement). Relative to same period in the prior year, the food index is 153bps higher than the March 2019 level of 13.45% YoY while the core index increased by 27bps from 9.46% YoY in February 2019.

Crude Oil

Last week Monday, the New York Mercantile Exchange (NYMEX) West Texas Intermediate (WTI) crude oil front-month futures prices fell below zero dollars per barrel, trading at -\$40.32/b. Monday marked the first time the price for the WTI futures contract fell below zero since trading began in 1983. The extreme

Sections

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

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

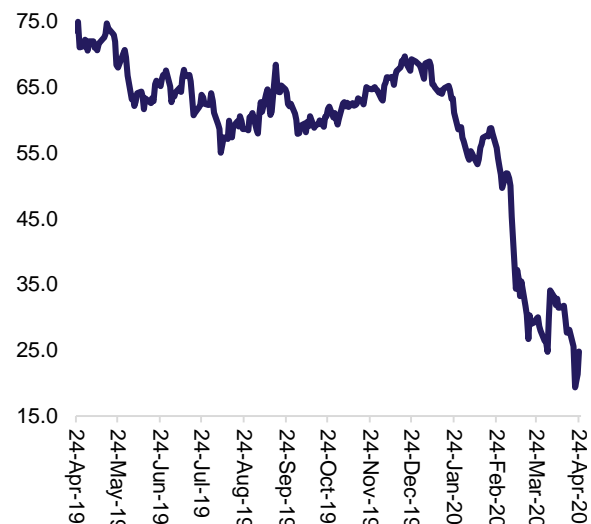
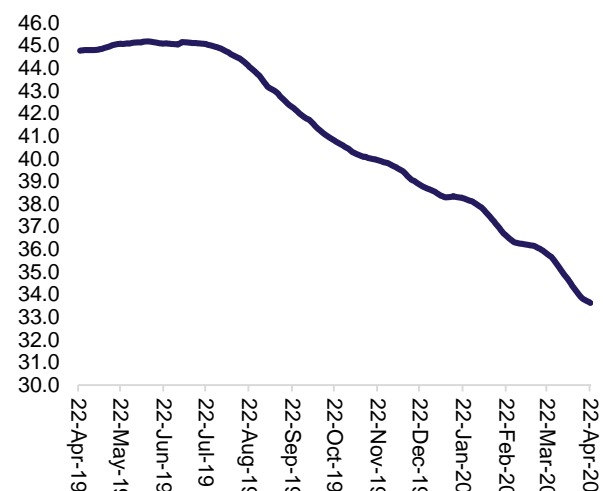


Figure 2: Movement in Gross Reserve (\$Bn)



market events of April 20 and April 21 were driven by several factors, including the inability of contract holders to find other market participants to sell the futures contracts. In addition, the scarcity of available crude oil storage meant several market participants could not take physical delivery at expiration and resorted to selling their futures contracts at negative prices, in effect paying a counterparty to take hold of the contracts. Crude oil prices closed lower last week by 11.7% to \$24.81/barrel as the economic disruptions caused by Covid-19 continued to take a toll on crude oil demand. The close price represents a year to date decline of 63.4% and is 17.3% below the Federal Government of Nigeria 2020 revised budget benchmark of \$30/barrel.

Foreign Exchange and Reserve

As at Wednesday (Apr. 22, 2020), the gross external reserve depleted by \$218 million to \$33.63 billion when compared to \$33.84 billion as at Apr. 16, 2020. Year to date, the reserve is down \$4.97 billion. The naira weakened at the parallel market by 6.38% WoW to N439.00/\$ and appreciated at the IEW by 0.82% to N383.00/\$. The 6-months and 12-months forward points declined by N5.91 and N13.97 to N398.39/\$ and N419.23/\$ respectively. Activity improved at the OTC futures, with the sum of transaction of \$500.7 million, compared to \$152.6 million in the prior week.

Fixed Income

The Debt Management Office (DMO) and CBN held both Bond and OMO auctions last week. At the bond auction, compared with N60 billion offered by the DMO, subscription was N275.67 billion. The DMO allotted a total of N156.06 billion via competitive bids (and N20 billion via non-competitive bids) at an average stop rate of 11.17%, which represents a 66bps drop from last month's auction. At the OMO auction, compared with N100 billion offered by CBN, subscription was N323.8 billion. Reflecting the elevated liquidity in the system, the apex bank implemented unusual CRR debits to the tune of N1.5 trillion last week Thursday, which resulted in a sudden liquidity squeeze with money market rates averaging 20.7% on Friday compared to 1.94% on Thursday. At the secondary market, average fixed income yields declined by 47bps WoW to 6.38% following contraction at both ends of the curve. Bond yields moderated by 57bps WoW to 10.06% following interest in March-2024 (-143bps), March2025 (-130bps) and Jan-2026 (-235bps). Also, average NTB yields declined 36bps WoW to 2.71% following moderation in the short (-46bps) and mid tenor (-18bps) bills.

Equities

The Nigerian equities market closed last week lower by 1.41% WoW, rounding off at 22,599.38 points with market capitalization at N11.7 trillion. The losses last week were driven by Banking (-5.2%), Consumer Goods (-2.6%) and Oil &

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

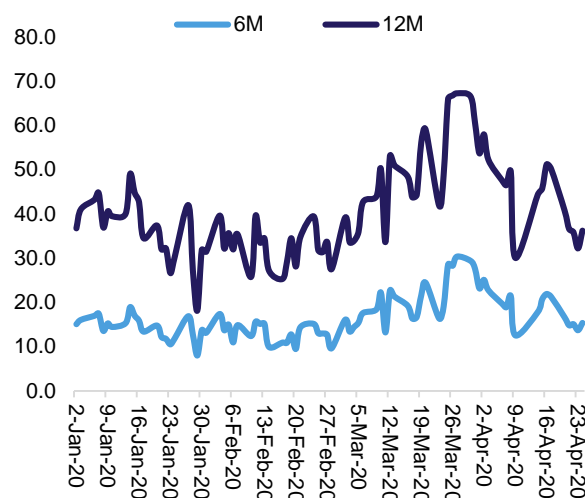
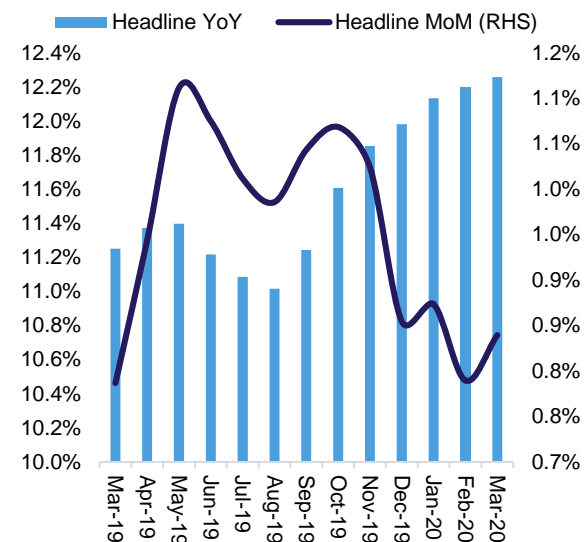


Figure 4: Nigeria YoY and MoM Inflation Trend



Gas (-1.7%), all of which more than outweighed gains recorded in the Insurance (+1.2%) and Industrial Goods (+0.7%) indices.

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

Foreign Exchange rates	17-Apr-20	20-Apr-20	21-Apr-20	22-Apr-20	23-Apr-20	24-Apr-20	WoW % Change
CBN Official	361.00	361.00	361.00	361.00	361.00	361.00	0.00%
NAFEX	386.13	386.13	385.00	383.00	383.00	383.00	0.82%
BDC	375.00	375.00	375.00	375.00	375.00	375.00	0.00%
Parallel	411.00	415.00	416.00	420.00	425.00	439.00	-6.38%
Money Market rates %	17-Apr-20	20-Apr-20	21-Apr-20	22-Apr-20	23-Apr-20	24-Apr-20	WoW Change (bps)
Open Buy Back (OBB)	2.00	2.00	2.00	1.80	1.88	20.33	1833.33
Overnight (O/N)	2.25	2.70	2.63	2.10	2.00	21.08	1883.33
FGN Bonds %	17-Apr-20	20-Apr-20	21-Apr-20	22-Apr-20	23-Apr-20	24-Apr-20	WoW Change (bps)
Jul-21	5.24	5.18	5.16	5.14	5.12	5.16	-7.87
Jan-22	6.19	6.48	6.46	6.45	6.44	6.42	23.37
Apr-23	9.26	9.00	9.01	8.89	8.57	8.76	-49.83
Mar-24	9.51	9.50	9.50	9.25	8.08	8.08	-143.25
Mar-25	10.96	9.67	9.67	9.67	9.67	9.66	-129.37
Jan-26	11.30	11.35	11.35	11.35	9.00	9.00	-230.32
Mar-27	11.51	11.57	11.57	11.57	11.54	11.61	9.48
Feb-28	12.01	12.01	12.01	12.01	12.01	11.15	-85.76
Jul-30	11.86	11.86	11.86	11.86	11.77	11.38	-48.32
Jul-34	12.05	12.05	12.05	12.05	11.68	11.68	-37.06
Mar-36	12.20	12.20	12.20	12.25	12.25	12.29	8.55
Apr-37	12.30	12.30	12.30	12.30	12.10	11.70	-59.52
Apr-49	12.58	12.58	12.58	12.63	12.47	12.60	2.30
Mar-50	12.60	12.60	12.60	12.65	12.50	12.67	7.04
T-Bills	17-Apr-20	20-Apr-20	21-Apr-20	22-Apr-20	23-Apr-20	24-Apr-20	WoW Change (bps)
NGOMOB 05/28/20	9.32	9.14	9.19	8.11	8.11	8.11	-120.61
NGOMOB 06/18/20	9.60	9.59	9.59	9.59	9.59	8.33	-126.90
NGOMOB 07/16/20	10.08	9.84	9.84	9.84	9.84	8.46	-161.75
NGOMOB 08/27/20	10.56	10.55	10.56	10.55	10.55	10.55	-1.60
NGOMOB 09/24/20	11.28	9.71	9.72	9.71	9.44	9.44	-184.40
NGOMOB 10/22/20	12.91	10.72	10.17	9.43	9.42	9.42	-349.09
NGOMOB 11/17/20	10.62	10.70	9.94	9.93	9.93	9.93	-69.35
NGOMOB 12/29/20	12.56	10.46	10.45	10.05	10.74	10.27	-228.94
NGOMOB 01/19/21	12.00	11.99	11.99	11.98	11.07	10.62	-137.78
NGOMOB 02/23/21	12.26	11.46	11.46	11.79	11.78	11.51	-75.37
NIGTB 07/02/20	2.12	2.12	2.37	2.37	2.37	2.37	24.42
NIGTB 10/01/20	2.94	2.94	2.94	2.94	2.78	2.73	-20.67
NIGTB 11/26/20	3.28	2.92	3.10	2.88	2.64	2.54	-74.71
NIGTB 01/14/21	3.69	3.17	3.65	3.03	2.97	2.95	-74.14

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