



Strong Naira

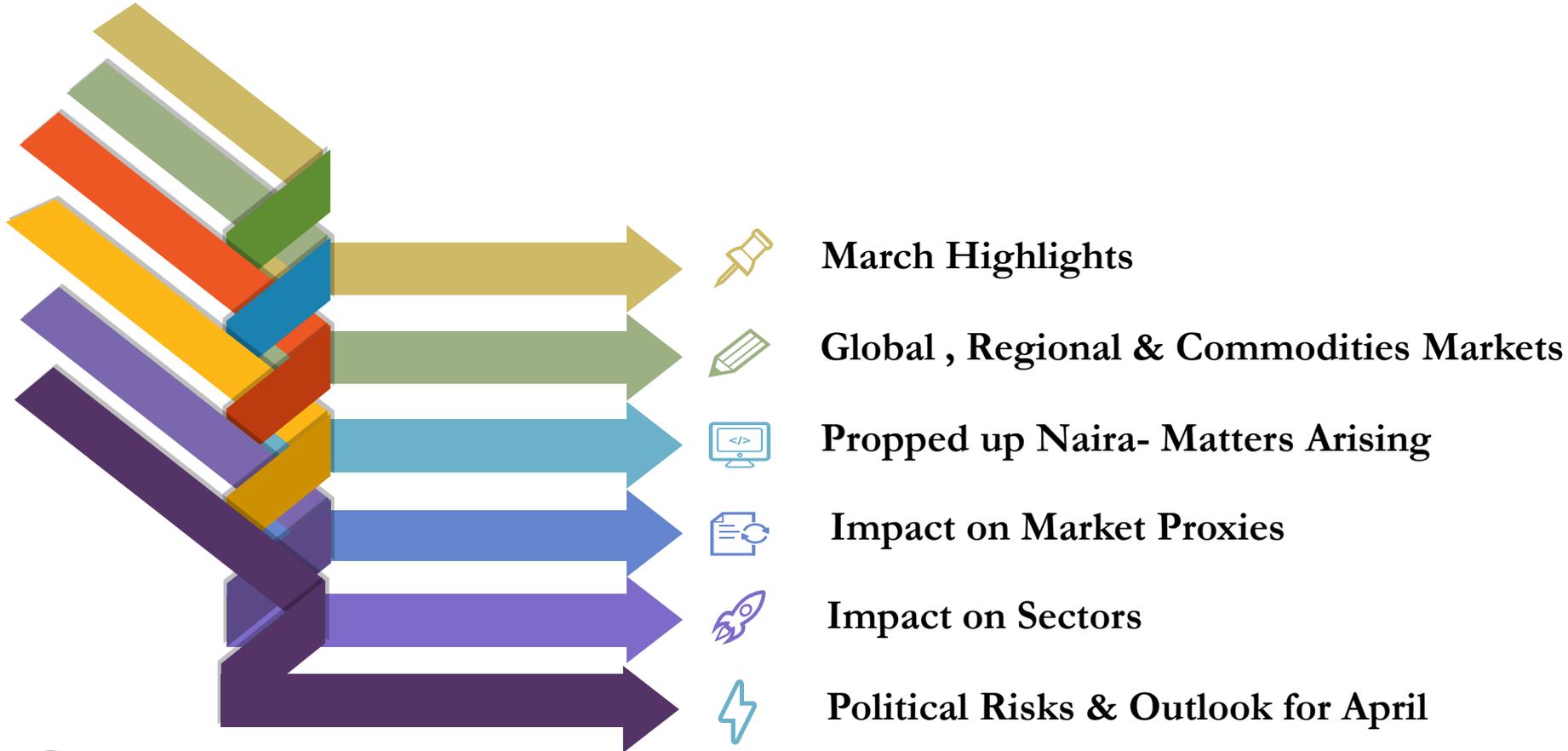
Catching a Falling Knife

By Bismarck Rewane

Financial Derivatives Company Ltd.

April 5th, 2017

OUTLINE



March Highlights

Naira Recovers at a Major Cost

CBN- CATCHING A FALLING KNIFE

- CBN intervened vigorously in the forex market
- Increasing quantity of supply by 73% in March relative to sales in February
- Depreciated the rate for invisibles initially to N375/\$
- Then revalued by 4.17% to N360/\$
- Effective weighted average exchange rate at N325/\$
- No change in market structure from price discriminating monopoly
- Multiple exchange rates persist

CBN- CATCHING A FALLING KNIFE

- BDCs to get \$10k per week or \$120m per month
- The naira depreciated 5.3% to N395/\$ once supply froze
- External reserves slipped marginally to \$30.3bn - first time in 5 months
- Money supply (M2) growth slowed by 5.73% (annualized at -34.38%)
 - 4.56% below the target
- Headline inflation declined to 17.78% in February
- Inflation forecast for March to fall to 16.4%

CBN- CATCHING A FALLING KNIFE

- The average opening position of the banking system in March was N27.74bn short
- Average lending rates for investment grade corporates: 23-25% p.a.
- Aggregate credit to the private sector contracted by 3.04% to N22.3bn as at Dec'16
- FAAC disbursed and shared spiked 10.54% to N514bn
- Improved oil revenue in February with average oil price of \$56.08pb

CBN- CATCHING A FALLING KNIFE

- Average corporate earnings growth (banks) in Q1'17 increased by 18.4%
- Brent oil price in March declined to \$50.56pb
- Average production increased to 1.6mbpd
- Shut-ins in March: 2
- Average T/bill rates in the secondary market up to 18.31%
- \$1bn Eurobond issue plus a \$0.5bn top successfully closed at 7.75% and 7.5%

p.a.

CBN- CATCHING A FALLING KNIFE

- GE and Nigeria advance talks on the rail investments of \$5bn with Nigeria to contribute \$250m
- Nigerian banks push Etisalat close to financial brink
- International airline load factors sharply higher as Abuja traffic merges with Lagos
- The liquidity impact of the naira rescue is N504bn equivalent to 2.1% of M2

CBN- CATCHING A FALLING KNIFE

- Combines with the N698.95bn T/bill issued and CRR is suffocating economic activity
- The good news is that it is helping push price levels down



Global and Regional Markets

US- TRUMP STOCK MARKET RALLY FADES

- US inflation crosses the Fed target of 2%
- First time in 5 years (2012)
- The personal consumption expenditure (PCE) price index up 2.1%
- Firmer inflation means the Fed could hike rates more than two more times in 2017
- Inflation expectations are for a stable inflation rate of 2% till end of 2018
- US IS-PMI fell to 57.2 from 57.7 in February

US- HIGHER GROWTH EXPECTED

- Despite the downshift, this is a 5th consecutive month of expansion
- Trump's legislative agenda facing headwinds – A reality check
- S & P 500 has fallen 0.6% since the Trump rally
- The failure to replace the Obama Care act is a major setback
- The dollar hit a 4-month low against a basket of currencies
- American consumer confidence at highest level of 125.6 since 2000
- Keystone pipeline order means more oil in the market

UK- INFLATION UP & THE POUND DOWN

- Britain's CPI rose by 2.3% up from 1.8% in January
- The steepest monthly increase since October 2012
- Fall in the value of the pound making imports more expensive
- G20 dropped a pledge to resist all forms of protectionism
- Consumer prices in Britain rose 2.3% year-on-year, up from 1.8% in January
- The steepest monthly increase since October 2012

UK- INFLATION UP & THE POUND DOWN

- Higher transport costs and imported inflation
- The British pound lost 14% of its value since Brexit
- The UK is a major trading partner of SSA and Nigeria
- Nigerian Diaspora remittances from the UK may drop by \$4.2bn due to the weaker sterling

UK- INFLATION UP & THE POUND DOWN

- Bank of England unveiled tougher stress tests for British Banks
- Including resilience to shocks like Brexit and other exogenous risks
- This will impact Barclays, SCB, HSBC etc
- Banks with strong ties and exposure to Nigerian Banks and corporates

IMPLICATIONS FOR NIGERIA

- Higher US inflation and interest rates mean increased dollar debt service
- Consumer confidence and spending in the US is positive for Nigerian exports
- Nigerian exports to the US is 17.9% of total exports of \$34.7bn
- Investor flows from the US on infrastructure a major boost for the ERGP

SSA- POLITICALLY AND ECONOMICALLY CHALLENGED

- SSA remains on the margins of the global economy – EIU
- 34 out of the 48 least developed economies
- Market oriented reforms, supported by donor funding, has determined the economic destiny of Africa
- The GDP of the two African economic giants, Nigeria (33%) and South Africa (30%), are challenged



SSA- POLITICALLY AND ECONOMICALLY CHALLENGED

- Nigeria & South Africa have apparent and underlying political succession battles

Major African exporters 2015	% of total
South Africa	31.2
Nigeria	28.1
Angola	21.0
Cote d'Ivoire	1.6
Major African importers 2015	% of total
South Africa	40
Nigeria	18.2
Kenya	5.7
Cote d'Ivoire	2.6



SSA- POLITICALLY AND ECONOMICALLY CHALLENGED

- Politics is eating into the economic momentum of both
- Both are junk status rated by S&P
- Nigeria's outlook is stable and South Africa negative
- China will remain the region's leading trading partner and financier
- Rising oil price will result in winners and losers
- Economic policy will be important and a differentiator



SSA- POLITICALLY AND ECONOMICALLY CHALLENGED

- Budget deficits will constrain infrastructure development
- GDP growth will be driven by recovery in commodity prices
- East Africa will record the strongest growth

Africa... United by One Bank



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United Bank for Africa Plc is one of Africa's leading financial Institutions, offering banking services to more than 11 million customers through diverse global channels. With presence in 19 African countries and 3 global financial centres; London, New York and Paris, UBA is connecting people and businesses through retail and corporate banking, innovative cross-border payments and trade finance.



Commodities

AGRIC COMMODITIES

- Excess supply in grains market (wheat and corn) dampening prices
- Cocoa price sharply lower by 36% at \$2,095/mt
- 2016/17 season will remain bearish
- Sugar futures lower on an increase in Brazilian cane production
- Brazilian production estimated at 35 million tonnes - *Commerzbank*

GLOBAL COMMODITIES

Commodities	Jan'17	Feb'17	Mar'17	% change (Feb-Mar)
Oil (\$/b)	55.7	55.59	53.52	-3.72%
LNG(\$/MMBtu)	3.12	2.77	3.23	16.6%
Wheat (US cents/bushel)	420.75	443.75	430	-3.01%
Sugar (US cents/pound)	20.45	19.23	17.00	-11.6%
Cocoa (\$/mt)	2,103	1,909	2,095	9.74%

DOMESTIC COMMODITIES

	Feb'17 (N)	Mar'17 (N)	% Change
Cement (50kg)	2300	2300	-
Garri (50kg)	15000	15000	-
Rice (50kg)	17000	16600	 2.35
Flour (50kg)	10500	10500	-
Semolina (10kg)	3100	3100	-
Semovita (10kg)	3700	3700	-
Maize (50kg)	13250	13250	-
Beans(50kg)	18000	16000	 11.11
Tomatoes (basket)	9000	9000	-
Pepper (Basket)	5000	5000	-
Palm Oil (25L)	24,500	25000	 2.04
Sugar (50kg)	19000	19000	-
Diesel/litre (National avg.)	240.52 (Jan)	249.38 (Feb)	 3.68

DOMESTIC COMMODITIES

- FG has banned the importation of tomato paste
- Raised tariff on concentrates from 5% to 50% to revive the tomato sector
- Kano-Lagos rail transportation of tomatoes reactivated after 58 years
- Levy on wheat was reversed from 50% to 15%
- Flour price war in the offing between major players
- Expected to decline from N10,500 to N9,000 per 50kg bag

A large crowd of diverse people, including men, women, and children, is gathered in a wide, shallow V-shape. The crowd is dense and colorful, representing a large population or a domestic economy. The background is a light, neutral color, making the crowd stand out.

Domestic Economy

LEADING ECONOMIC INDICATORS- OUTPUT

LEI	Feb'17	Mar'17	% Change	Apr'17
GDP Growth (%)	-1.3(Q4'16)	-1.3(Q4'16)	-	1.5 (Q2'17)
Oil Price (\$pb; avg)	56.5	52.54	-7.00	52
Oil Production (mbpd)	1.55 (Jan)	1.608 (Feb)	3.23	1.6
Natural Gas (\$/MMBtu)	2.77	3.19	15.16	3.10
Power (MW)	3716	3773	1.53	3800
PMI	FBN: 50 CBN: 44.6	FBN: 52.8 CBN: 47.7	5.60 6.95	55 50
Capacity Utilization	45.6	46.6	1.00	48
Inflation (%)	18.72(Jan)	17.78 (Feb)	0.94	16.4
Consumer Confidence	-28.2 (Q3'16)	-29.8 (Q4'16)	-5.67	-27.5 (Q1' 17)
Business Confidence	-24.1(Q3'16)	-29 (Q4'16)	-20.33	-18 (Q1'17)

Source: CBN,NBS, EIU, FDC Think Tank

LEADING ECONOMIC INDICATORS- MARKETS

LEI	Feb'17	Mar'17	% Change	Apr'17
T Bills (91 days) - Primary	13.65	13.55	3.08	13.30
T Bills (91 days) - Secondary	14.61	18.99	438bps	17.75
Average NIBOR (%)	21.47	20.3	117bps	19
Average Lending Rate	24.5	24.5	-	24.5
Average Opening Position(N'bn)	(74.87)	(35.12)	53.09	(17)
External Reserves (\$bn)	29.11	30.3	4.09	28
Exchange rate (N/\$; month-end)	IFEM: 306 Parallel: 435	IFEM: 306.85 Parallel: 395	IFEM: - 0.08 Parallel: 10.13	IFEM: 307 Parallel: 390
Stock Market (N'trn)	8.77	8.83	0.68	8.95
Vacancy Factor Index	74.5 (Q4'17)	73.4 (Q1'17)	-1.1	73.4

Source: CBN,NBS, EIU, FDC Think Tank



LEADING ECONOMIC INDICATORS

- The leading economic indicators were mostly oblivious to a stronger naira
- Our forecast is that GDP growth for Q2 will be 1.5%
- Driven by improved power output and oil production
- Lower diesel costs average N190 per liter
- Availability and supply of forex: average exchange rate of N380-420
- Declining headline and core inflation expected at 16.4% for March

LEADING ECONOMIC INDICATORS

- Expanding PMI and stronger inventory levels
- External reserves level will decline to N28bn
- As CBN increases its interventions to support the naira

CENTRAL BANK OF NIGERIA

1000

1000

Propped up Naira- Matters Arising

2006

Alhaji Aliyu
Mai-Bornu

Dr. Clement
Isong

Charles C. Soludo
GOVERNOR

Benjamin Oyedokun
DIRECTOR OF CURRENCY
AND BRANCH OPERATIONS

نيرا ادين ONE THOUSAND NAIRA



1000

STRONG NAIRA: IS IT FOR REAL?

	2017 Dollar Injection (\$)	Exchange rates (N/\$)
Feb 21	417m	516
Feb 23	231m	500
Feb 27	180m	460
Mar 3	350m	465
Mar 6	367m	460
Mar 7	100m	460
Mar 9	170m	462
Mar 14	190m 150m	457
Mar 16	100m	455
Mar 20	143m	455
Mar 23	100m	395
Mar 27	180m	387
Total	4.07bn	



STRONG NAIRA: IS IT SUSTAINABLE?

Assumptions

- Invisibles: 20% of forex demand-N360/\$
- Tradables: 80% of forex demand-N306/\$

$$\frac{306 * 20}{306 * 80}$$

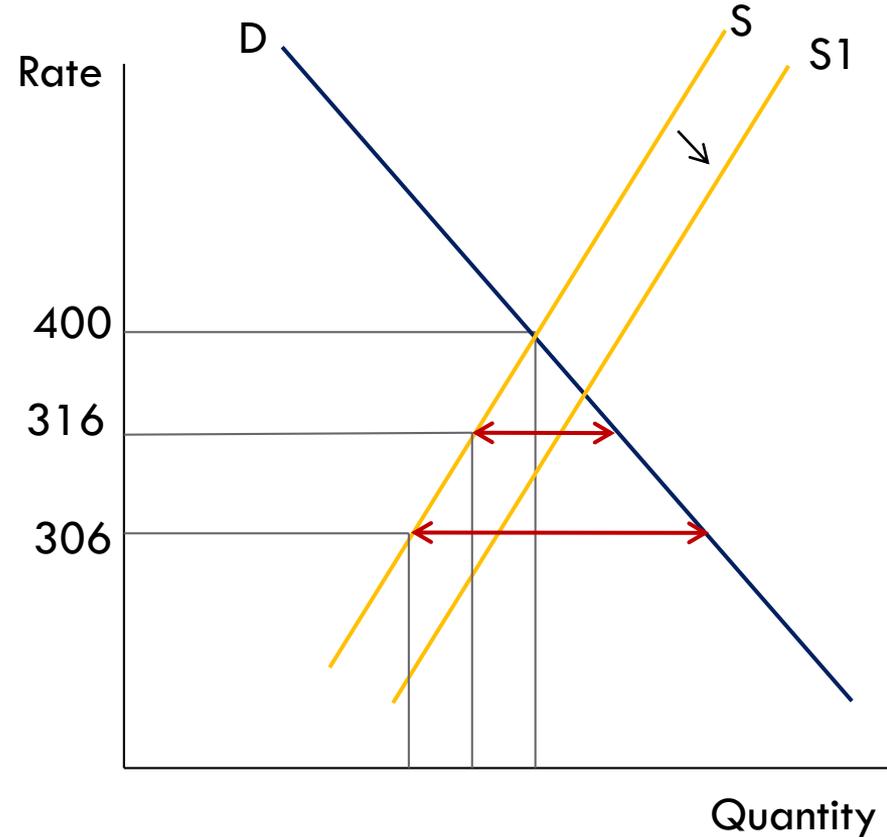
N306/\$



$$\frac{360 * 20}{306 * 80}$$

N316/\$

CBN effective rate = N326/\$
PPP = N325.92/\$
Parallel rate- N395/\$



DETERMINANTS OF CURRENCY VALUE STILL FRAGILE

- Terms of trade still at 14 (from 18.9 in 2015)
- Balance of trade is -\$0.5bn
- Foreign direct investment is still static below \$2bn
- The inflation interest rate differential is 3.78%
- Meaning naira weakness could continue at N305
- Marginal propensity to import still above 0.63
- If oil price falls below \$40pb, the naira will suffer a further decline

DETERMINANTS OF CURRENCY VALUE STILL FRAGILE

- More so if production falls below 1.5mbpd
- Policy shift plus increased supply of forex = REER path
- Bring difference between IFEM and BDC to 10% divergence
- IFEM at N350 (+35 to 40) = Parallel rate of N395 to N400
- Crude PPP still at N326
- External reserves depletion will reduce
- Provided oil production is not disrupted



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A Newton's cradle with five silver spheres hanging from thin wires against a blue background. The leftmost sphere is blurred, indicating it is in motion and about to strike the others.

Strong Naira & the Impact on Proxies

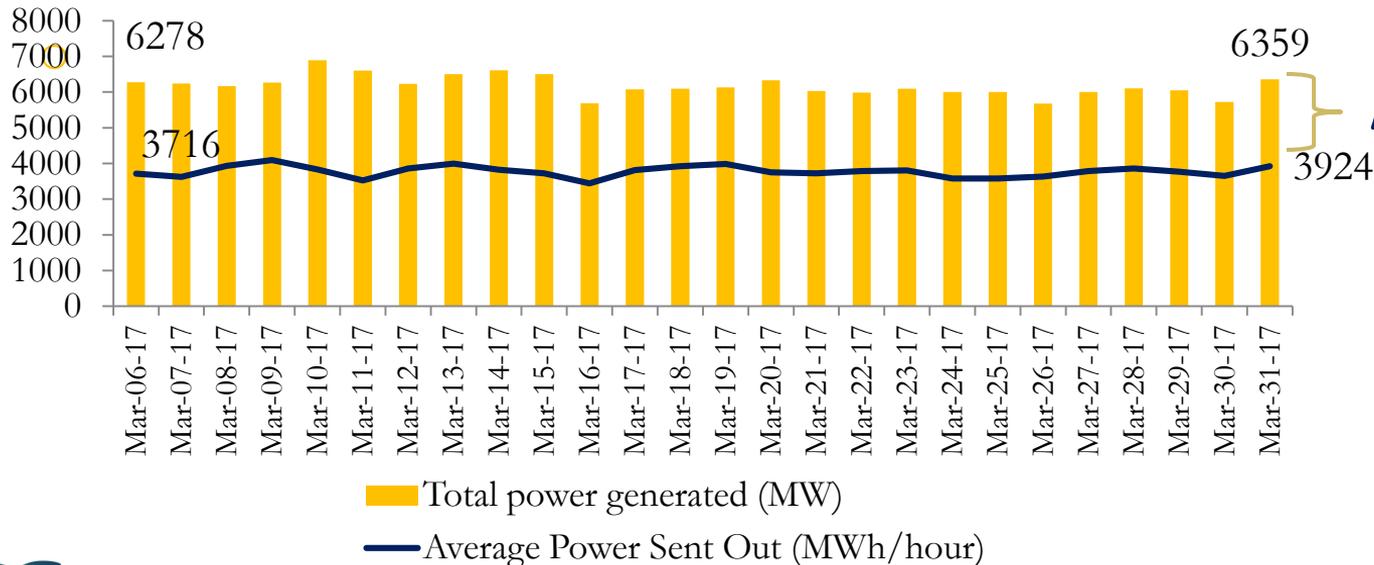
IMPACT ON BUSINESS PROXIES

The good news

- Ships awaiting berth benefits from subsidized naira
- Expected to increase to 40
- Forward contracts and spot dollars mean increased letters of credit and imports
- The PMI is expected to increase sharply to 55
- Thanks to forex and exchange rate advantage
- Increased capex and infrastructure projects financed by the Chinese
- Productivity gains due to de-bottlenecking of sectors

IMPACT ON BUSINESS PROXIES

- Power output is expected to reach a peak of 3800mwh in April
- Higher rainfall to improve hydro generation and output
- Repairs to Forcados and pipelines should guarantee gas supply

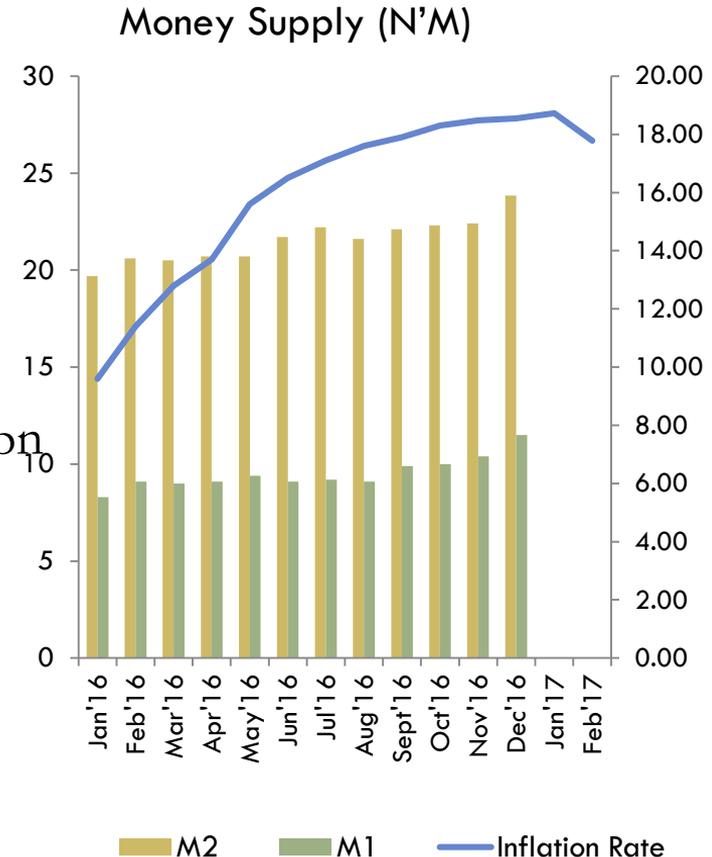


The area above the line graph represents power lost due to constraints. Daily power constraints ranged from 2042MW-2617MW

IMPACT ON BUSINESS PROXIES

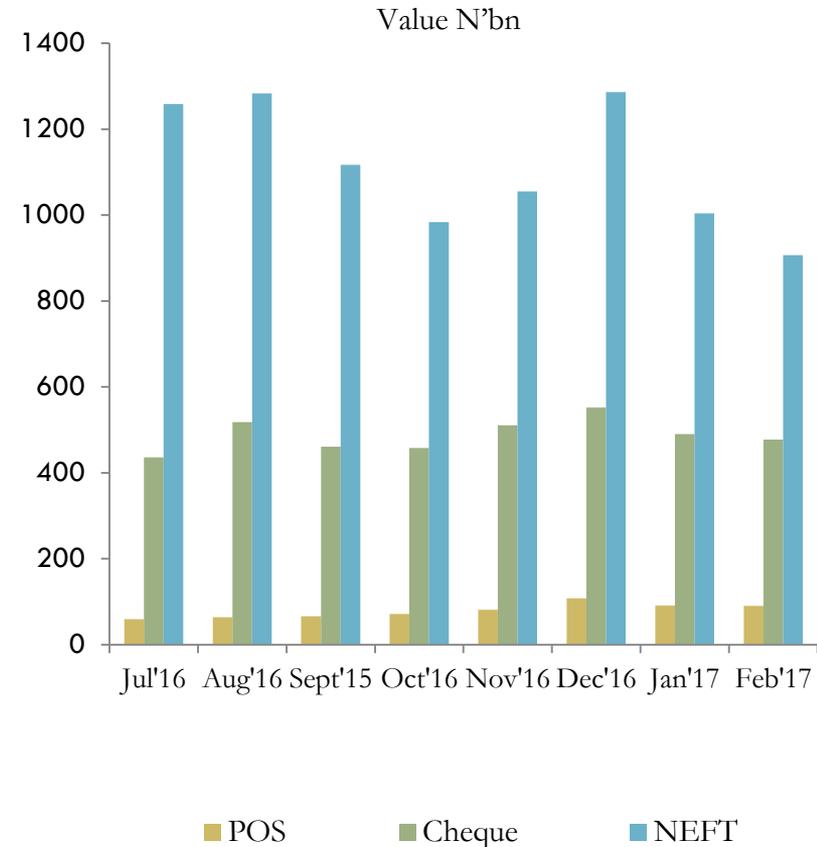
The bad news

- Money supply aggregates have contracted in February by 5.73%
- Total mopping up effect of forex is - N1.2bn
- Liquidity impact of T/bills, Bonds is – N698.95bn
- Aggregate credit to private sector declined by 3.2% to N22.3trn in Dec 2016
- Credit to govt. up by 23.6% to N4.8trn



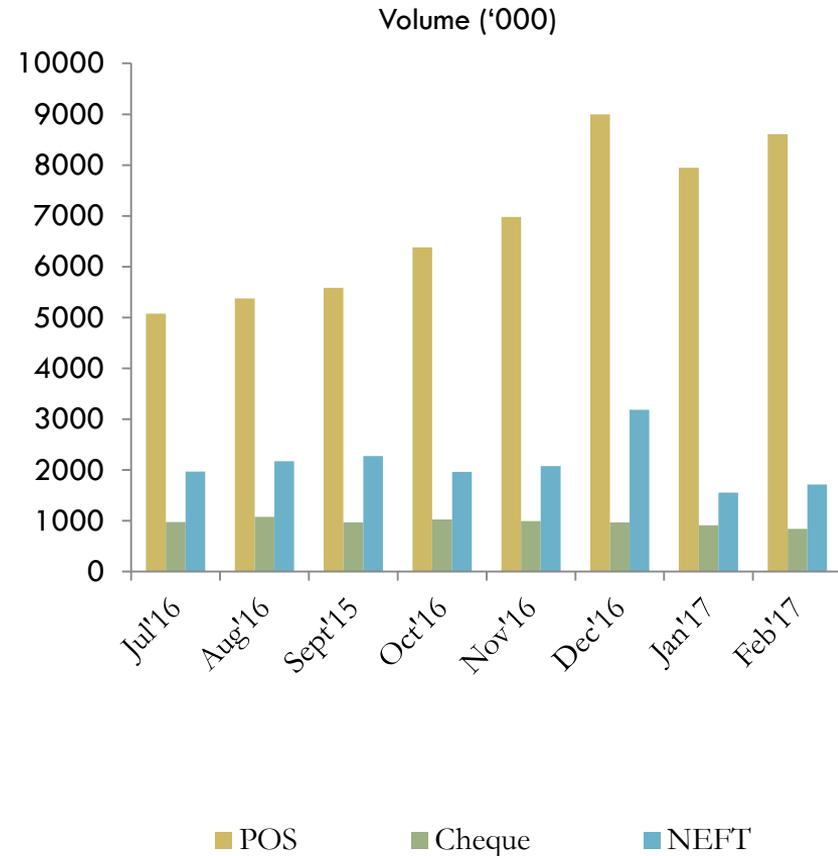
PAYMENTS AND SETTLEMENTS

- Velocity of circulation also declining with the volume of transactions
- Value of transactions declined in Feb'17 relative to Jan'17
 - POS ↓ 1.19%
 - Cheques ↓ 2.63%
 - NEFT ↓ 9.64%



PAYMENTS AND SETTLEMENTS

- Volume of transactions up in Feb'17 relative to Jan'17 except for cheques
 - POS ↑ 8.31%
 - Cheques ↓ 7.80%
 - NEFT ↑ 10.23%



Policy Imperatives

Policy

WHAT HAPPENS BEFORE THE NEXT MPC MEETING

- Strong currency is not synonymous with strong economy
- Economic fundamentals are recovering slowly
- Gross fixed investment still 14.8% of GDP
- Gradual reduction in T/bill stop rates both in primary and secondary markets

FISCAL POLICY

- Capital elements of 2016 budget extended to May 2017
- As 2017 budget is yet to be passed
- Fuelling the cycle of policy delay and execution
- In the meantime, FEC approves N80bn for the construction of 12 roads

FISCAL POLICY

- \$500 million Eurobond issue successful, issued at 7.5%
- To finance N4.03 trn deficit budget for 2016 and 2017 fiscal years
- Airport concessioning for 4 airports at advanced stage
- Railway projects and financing about to be closed

INVESTMENT POLICY – EASE OF DOING BUSINESS

- Ease of doing business is at the heart of the ERGP
- FGN has approved processing of visas within 48 hours
- Has also given waivers to some countries
- This is part of the 60-day national action plan on Ease of doing business
- Corporate Affairs Commission
 - Documents can now be uploaded directly on the CAC portal
 - A single form has been introduced for company incorporation to save time and costs
 - FIRS e-payment solution has been integrated with the CAC portal to facilitate e-stamping

Impact of Forex Reform on Sectors

IMPACT OF FOREX ON SECTORS

Impact	Sector	Rationale
Positive	Manufacturing Wholesale & retail trade Aviation	Raw materials & machinery Capacity utilization Benefits from weaker naira
Neutral	Real estate Building & materials	Import dependency is low Cement manufactured in Nigeria
	Art & Entertainment	Talent sourced within borders and payment is denominated in naira
Negative	Education Health care Agriculture	Import substitutes easily accessible with the new FX policy for invisibles (Medical & School fees)



Real Estate Market
Strong Naira has no Impact

REAL ESTATE MARKET IS FOREX NEUTRAL

- Cost of building properties remain sticky downwards
- Effects likely to feed into higher house prices
- Real estate market will pick up gradually if the economy follows a recovery path
- Lagging effect of the sector means positive changes will soon be felt in the market

RECENT DEVELOPMENTS

- Lagos vacancy factor index at 73.4% in Q1'17 down from 74% in Q4'16
- Vacancy rates in prime areas falling gradually as rental prices become more attractive
- As a lagging indicator, real estate will adjust gradually following changes in the business cycle
- Cost of building materials stubbornly high
- Landlords offering discounts and lower advance rents – 1 year rent

OFFICE SPACE SATURATION IN V/ISLAND & IKOYI



The Wings Towers



Eko Tower II

- Residential properties glut is increasing

REAL ESTATE OUTLOOK

- Expect a significant turnaround in the market in 2018
- Vacancy factor to remain high through 2017
- Replacement cost far in excess of market values
- Sector values are exchange rate insensitive in the short run

Aviation Update

A large commercial airplane is shown from a low-angle perspective, flying towards the viewer against a bright blue sky with scattered white clouds. The aircraft is white with blue accents on the tail and engine nacelles. The wings are spread wide, and the engines are prominent. The overall scene conveys a sense of flight and movement.

**Impacted by Strong Naira/ Abuja
Closure**

IMPACT OF NAIRA RECOVERY AND ABUJA CLOSURE

- Aviation in Nigeria is a victim of naira weakness
- Domestic carriers with 70% market share in receivership of AMCON
- Route rationalization and existing unprofitable destinations
- Arik suspended Heathrow, Johannesburg and the West Coast
- Aero laid off 60% of employees
- Medview gaining market share domestically

IMPACT OF NAIRA RECOVERY AND ABUJA CLOSURE

- Slipping in on-time performance and punctuality
- Airlines have commenced selling of naira tickets in all fare categories
- International load factors are in the 80s
- As Abuja traffic merges with Lagos
- Showing that international passenger market needs consolidation
- Promotional fares are back again for the rest of the low season

IMPACT OF NAIRA RECOVERY AND ABUJA CLOSURE

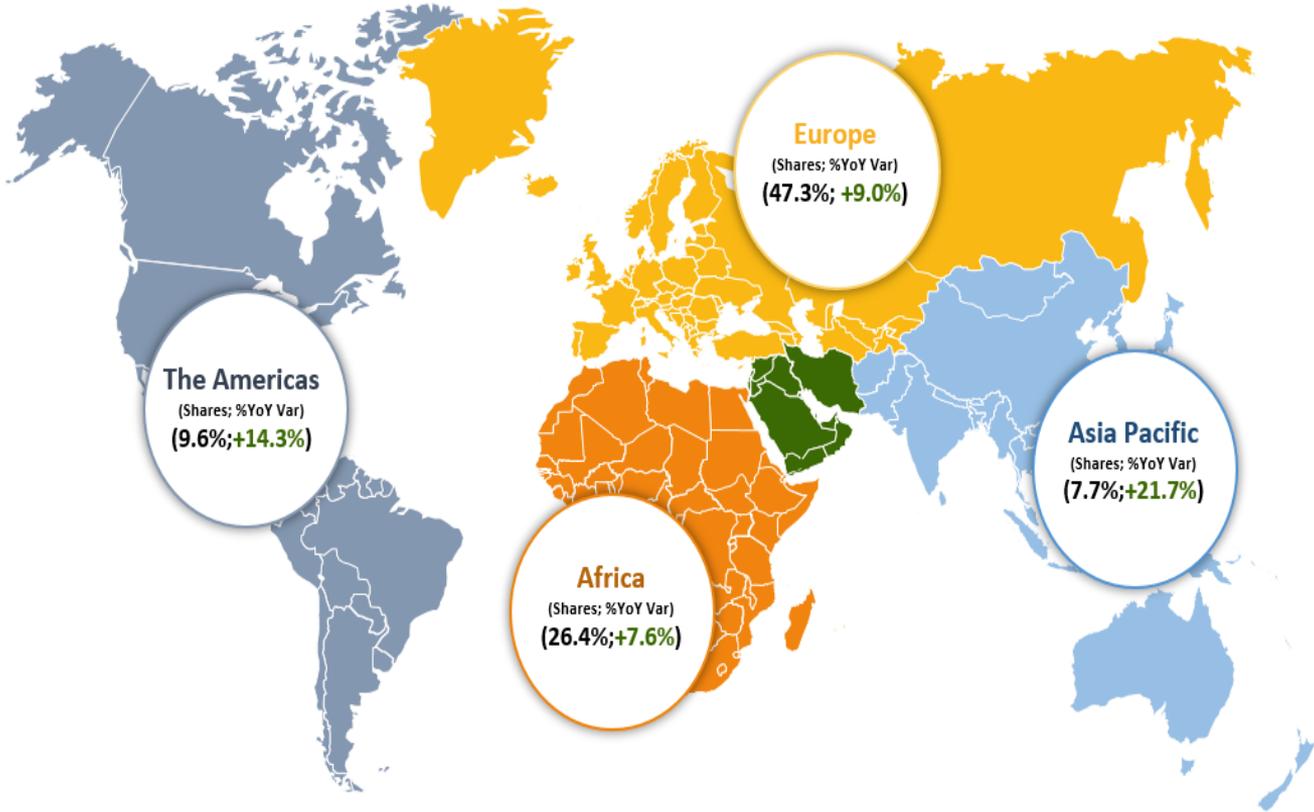
- Airlines benefited from forex forward contracts
- The level of blocked funds sharply lower
- BA offering \$300 Lagos-London return for students
- PTA, Medical and students remittances yet to impact travel demand
- Direct flights to the US showing strong demand

IMPACT OF NAIRA RECOVERY AND ABUJA CLOSURE

- Lufthansa, BA and Air France dominating the European destinations
- Middle Eastern airlines losing market share
- Ethiopian and Rwanda Air dominating regional market
- International travels in Africa grew by 10.3%

REGIONAL AVIATION UPDATE

Int'l arrivals in Africa by origin regions, Sep 2016 to Jan 2017: YoY %variation and origin %share



In spite of Chinese trade & investment, the arrivals into Africa is 7.7%



Who We Are

Avant-garde Academia Limited (AAL) is an education advisory and counseling service organization that was incorporated in July of 2013. AAL was incorporated as an educational aggregator in grooming candidates to be potential global citizens who will reinvest their acquired skills in Nigeria in future. It is positioned to provide support, assistance and guidance to potential candidates and entrants to Ivy League, Elite and premium academic institutions in America. Our target market comprises parents of children in identified elite Nigerian secondary schools and/or top executives in the business community, who have a strong need for our services. The market also extends to Nigerians resident in Diaspora, and expatriates resident in Nigeria. In Partnership with Ascent Education Advisors, a reputable Education Advisory Services firm, we have designed a range of admissions solutions to cater for children in different stages of secondary school education.

OUR STRATEGIC PARTNER – ASCENT EDUCATION ADVISORS

A reputable education advisory service firm, the lead consultant Ms. Peggy Hanefors has over 10 years experience in admissions; including a position as the Assistant Director of International and Transfer Admissions at the University of Pennsylvania. She was first reader and evaluator of about 3,000 applications for students from across the globe.

What We Offer

- Information and advice about the American University System and its application process.
- Evaluation of student's record prior to application.
- Assistance in selecting curriculum and summer activities that will match the student's desired course of study and also highlight his/her personality and interests.
- Development of personal application timeline, that includes standardized testing, college visits, application deadlines, etc.
- Help in selecting teachers for recommendations
- Guidance in presenting extracurricular record
- Guidance in putting together an overall great college application that highlights the unique attributes of the applicant
 - Essay topic brainstorming
 - Editing
 - Proof-reading
- Guidance in choosing the most suitable college among acceptances.
- Interview preparation

Our Packages

Package 1: 8th to 10th Grade (Final 3-5 Years)
This package is a program designed for candidates from as early as the 8th grade (Junior Secondary School - JSS 2) of high school. This is a full package with the benefits of all the services we offer in addition to education and assistance with entire college admission process, including an unlimited number of applications.

Package 2: 11th and 12th Grade (Final 1-2 Years)
This package is similar to Package 1 but is designed for students in the final two years of high school.

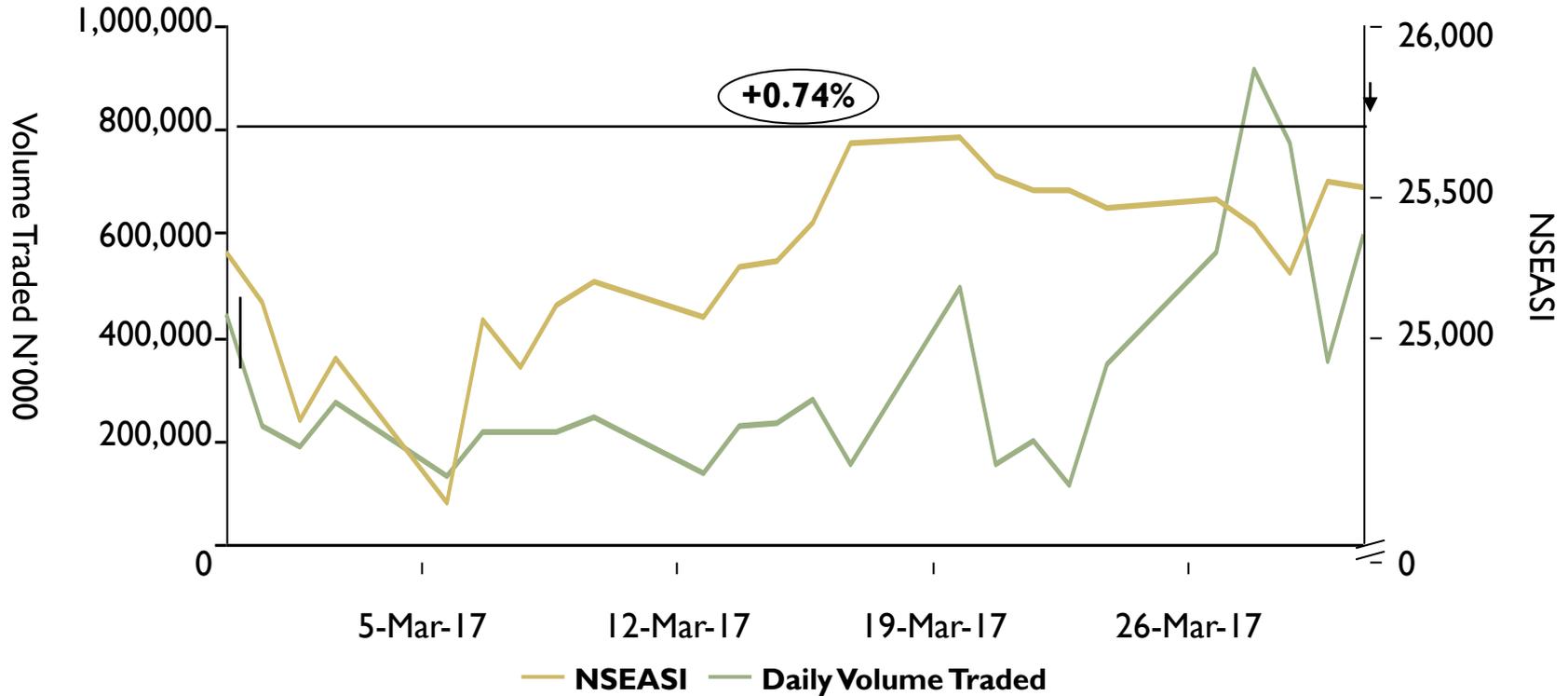
Package 3: (Per Application)
Unlike packages 1 and 2, package 3 only provides unlimited assistance with applications to pre-determined universities.

We host a Parents Admission Support Forum in Lagos bi-annually with the aim of giving parents the information they need to ensure their child(ren)/wards gain admission into reputable universities in United States of America.

To attend one of our events, kindly contact or visit us at
9a Idejo Street, Victoria Island Lagos.

Stock Market

MARKET IN MARCH...



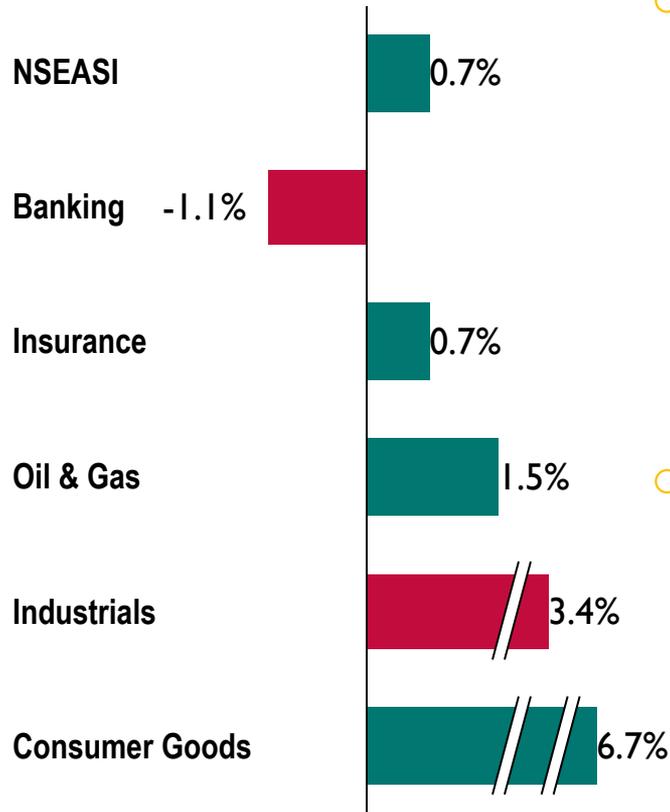
STOCK MARKET FOREX INDIFFERENT

- Nigerian stocks stayed flat in March because:
 - MPC left parameters unchanged
 - International interests not swayed by temporary currency swings
 - Earnings have been mostly unimpressive
 - The solid performances mainly driven by extraordinary items

STOCK MARKET FOREX INDIFFERENT

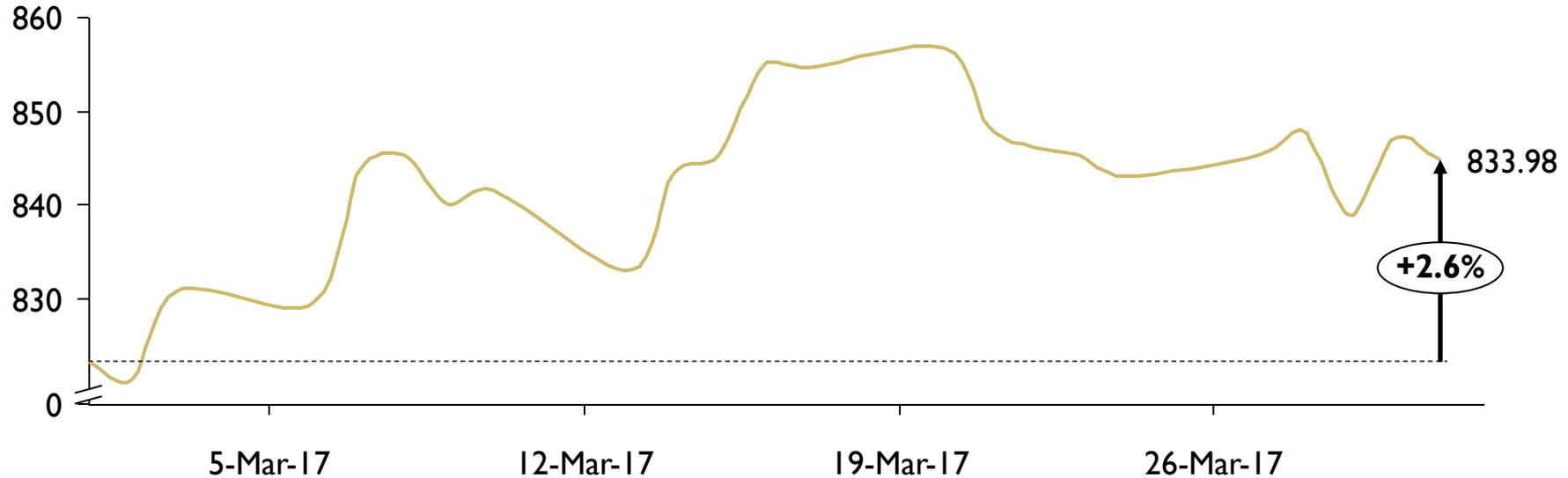
- Typically exchange rate gains by banks
- Big forex losses are one time events as well
- Stock prices barely spiked and turnover was up on bargain hunting
- Domestic transactions topped foreign purchases first time in 5 years
- Dividend yield is 5.97% as against fixed income securities of 22% (tax free)

SECTORAL PERFORMANCE



- NSE Banking Index down by 1.11%
- ETI -12.65%, Access -6.55%, Zenith -4.42% and FBNH Plc -3.48% were a major drag
- Sector continues to groan under high NPLs and stunted real loan growth
- NSE Consumer Industrials Index up by 6.7%
- Lead by gains of Nestle, Unilever, DangSugar Plc 31.58%, 20.77% and 8.31% respectively
- Slight improvement in the sector outlook given improvement in forex liquidity - CBN's recent injection of over \$2.4bn

MARKET IN MARCH – SCOTT FREE INDEX



- BC30 index fell by 2.62% in March
- 1 year return of 14.58%
- The SFNG Blue-Chip 30 Index (USD) rose by 1.01% while the SFNG Blue-Chip Index (EUR) was down 2.34%

BANKS

Access Bank

- Gross earnings up 13% to N381.3bn from N337.4bn in 2015
- Net Impairment charges rose significantly by 54.3% to N21.9bn
- NIM was 7.31% in 2016, up 29 bps from 7.03% in 2015
- PBT up 8.46% to N71.4bn
- NPL of 2.14% below 5-year avg. of 2.67%
- Efficiency ratio of 58.77%
- Well capitalized with CAR of 21.2%
- ROE of 17.51% and dividend yield of 6.17%

UBA

- Gross earnings up 13% to N381.3bn from N337.4bn in 2015
- Net Impairment charges rose significantly by 447.8% to N27.6bn
- NIM was 7.34% in 2016, down 19 bps from 7.48% in 2015
- PBT up 32.4% to N90.6bn
- NPL of 1.91% below 5-year avg. of 2.17%
- Efficiency ratio of 55.41%
- Well capitalized with CAR of 19.7%
- ROE of 18.25% and Dividend yield of 10.64%

OIL & GAS- TOTAL

- Revenue for 2016 was N290.9bn compared with N208bn in 2015
- Lubricant grew by 53% contributing 13% of total revenue
- Cost-to-sales ratios improved from 88.1% vs. 83.1% for 2015
- Operating expenses increased by 4.36% to N20.56bn
- PBT up by 213.3% to N20.3bn
- Recorded foreign exchange loss of N9.05bn
- PE ratio of 5.94x
- Dividend Yield of 2.55%

FMCG- UNILEVER

- Revenue for 2016 was N69.7bn compared with N59.2bn in 2015
- Cost-to-sales ratios declined to 70.9% vs. 64.4% for 2015
- Operating expenses decreased by 11.3% to N14.6bn
- PBT up by 131.8% to N4.1bn
- Recorded foreign exchange gain of N617.8mn
- PE ratio of 44.4x
- Dividend Yield of 0.31%

OUTLOOK

- Flat trading in April with no major gains
- Weak earnings to persist as companies fix their balance sheets
- Capital raising activities will intensify with Right issues & public offers
- International investors will await further naira depreciation
- The next MPC meeting in May might commence slight easing
- If inflation comes in lower, stock prices may nudge upwards

A grayscale silhouette illustration of a speaker at a podium addressing a crowd. The speaker is in the center, holding a document and pointing upwards. The crowd in the foreground is diverse, with many people raising their hands and holding up rectangular signs. The overall scene suggests a political rally or a public meeting.

Political Update & Risks

Politics

POLITICAL RISK ANALYSIS

- Buhari's return to Nigeria helped to ease tension within Govt. & the APC
- The economic momentum in his absence has been sustained
- The V.P. has kept his focus on ensuring peace in the Niger Delta
- Oil production is up and is the reason for forex supply
- No disruption to pipelines & production is a catalyst for naira strengthening
- The APC is showing signs of fragility & internal weakness

POLITICAL RISK ANALYSIS

- The squabbles are boiling to the top
- The National Assembly are taking advantage of every opportunity
- The new electoral act legislating electronic voting is a game changer
- The scrapping of primaries by delegates and having open primaries is noteworthy
- The super delegates system was an extortion racket

POLITICAL RISK ANALYSIS

- The succession battles, internal wrangling and party squabbles is threatening national stability
- Buhari will fill up board seats and approx 3000 appointments in Q2 & Q3
- The sharing of spoils has been a bone of contention
- The 2 scenarios that are equally threatening:
 - Buhari does not run and picks a successor that does not have wide appeal
 - Buhari does not run and refuses to pick a successor

POLITICAL RISK ANALYSIS

- Zoning, horse trading, professionalism, election purchase etc are potential flashpoints/considerations
- The PDP is a shambles with no creditability and leadership
- A 3rd party of disgruntled forces may yet emerge
- 2019 without a strong incumbent running is a recipe for a jittery future



Outlook

APRIL OUTLOOK

- Inflation estimated to decline towards 16.4%
- Naira will trade flat, with CBN efforts to support currency proving elusive & difficult
- Demand for dollars will increase and maturing forwards will put pressure on the naira
- Nigeria will have a good showing at the spring meetings (World Bank)

APRIL OUTLOOK

- The Debt service burden will erode capacity to invest in infrastructure
- Petroleum subsidies will become more apparent
- The reformed PIB will be passed
- External Reserves will slip to \$28bn as CBN tries to defend the naira

APRIL OUTLOOK

- Corporate earnings will return weak and unimpressive
- Stock market will trade flat in anticipation of easing of rates in May
- Power supply will improve marginally due to rains
- The CBN will have no choice but to intervene in forestalling financial collapse of the power sector

Corporate Humour



Love people, not things; use things not
people
- Spencer Kimball

When you trip over love it is easy to
get up. But when you fall in love it is
impossible to stand again
- Albert Einstein



Corporate Humour



Do not spoil what you have by desiring what you have not. What you now have was once among the things you only hoped for – Epicurus

My mother's two categories: nice men did things for you, bad men did things to you – Margaret Atwood



Corporate Humour



Behind every successful man stands a
surprised mother-in-law
- Hubert Humphrey

Behind every great man is a
woman rolling her eyes
- Steve Koren



Corporate Humour



A pessimist is a man who thinks all women are bad. An optimist is a man who hopes they are
– Chauncey Depew

Maternity is a matter of fact. Paternity is a matter of opinion
– Walter Bagehot

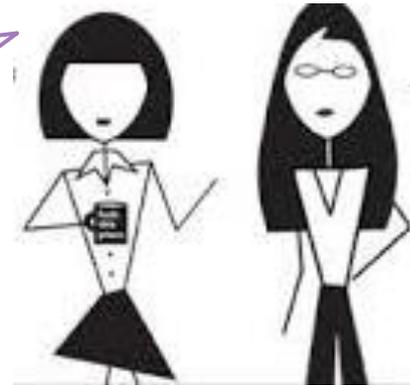


Corporate Humour



A man on a date wonders if he will get lucky. The woman already knows – Monica Piper

Retirement means twice as much husband, half as much money – Anonymous



Corporate Humour



Women need a reason to be
laid, men just need a place
- Lowell Ganz

I don't know as I want, a lawyer
to tell me what I cannot do. I
hire him to tell me how to do
what I want to do
- J. P. Morgan



Corporate Humour



Most people sell their souls and live with a good conscience on the proceeds – Logan Smith

Unknown unknowns are the ones we don't know that we don't know – Donald Rumsfeld



Corporate Humour



Seriousness is stupidity sent to College
– P. J. Rourke

When you stop chasing the wrong things, you give the right things a chance to catch you.
– Lolly Daskal



*Thank
you*



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