

Economy

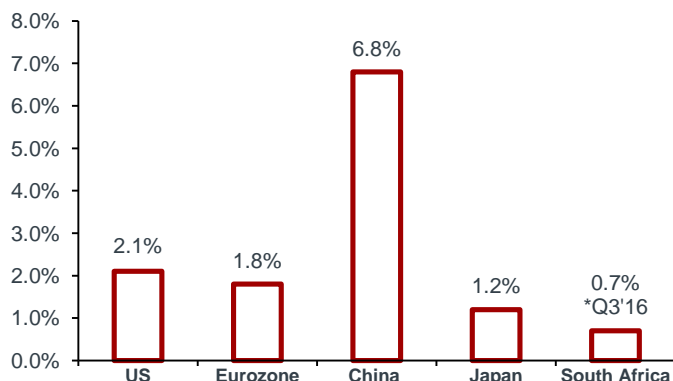
The number of Americans filing for unemployment aid unexpectedly fell last week and consumer sentiment rose early this month amid continued optimism over household finances, suggesting a sharp slowdown in job growth in March was an aberration. While other data on Thursday showed producer prices falling in March for the first time in seven months, prices recorded their biggest year-on-year increase in five years. The reports pointed to a steadily firming economy and could encourage the Federal Reserve to increase interest rates again in June.

The World Bank kept its 2017 economic growth forecast for developing East Asia and the Pacific unchanged, but added the region is vulnerable to any sharp slowdown in global trade or tightening in financial conditions, according to Reuters report. "Growth in developing East Asia and Pacific is expected to remain resilient, as continued buoyancy in domestic demand, including public and increasingly private investment, is supported by strengthening external demand," the World Bank said in its latest East Asia and Pacific Economic Update report on Thursday. "Nevertheless, global and regional vulnerabilities mean that the positive prospects for growth and poverty reduction in the region in this base case are subject to significant risks." The World Bank expects the developing East Asia and Pacific (EAP) region, which includes China, to grow 6.2% in 2017, slowing from 6.4% growth last year. Meanwhile China's economic growth remained stable in the first quarter of 2017, the state planner said on Thursday. The economy likely grew by 6.8% in the first quarter, the same pace as the previous quarter, due to sustained government infrastructure spending and a gravity-defying housing market, a Reuters poll of 60 economists showed.

In Nigeria, according to the National Bureau of Statistics (NBS), the headline consumer price index has recorded its second deceleration in sixteen months. Headline inflation was 17.26% in March, 52bps down from 17.78% in February, 56bps and 46bps higher than Bloomberg's median estimate of 16.7% and Cordros' forecast of 16.8% respectively. On month-on-month basis, the headline index increased 1.72% (vs. 1.49% the previous month). Food inflation rose to 18.44%, from 18.53% in February. On m/m basis, food inflation climbed by 2.21%, a faster pace than the 1.99% recorded in February. Core inflation increased at a slower pace in March, rising by 15.4%, versus 16.0% in February. On a m/m basis however, the core index increased at a higher rate of 1.32%, 22bps ahead of the 1.10% reported the previous month.

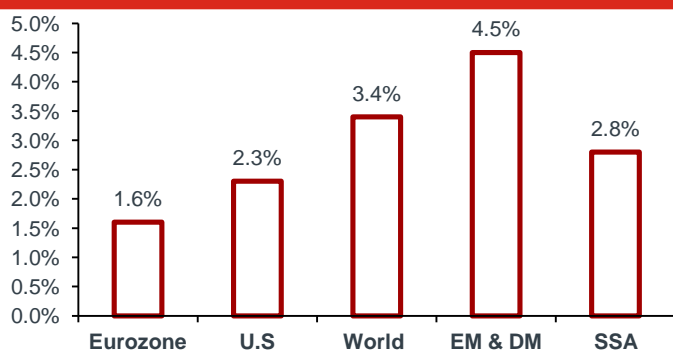
Fresh requests by the Executive and delays by the committees of the National Assembly have stalled the passage of the 2017 budget, according to information available to The PUNCH on Sunday. Findings indicated that the budget size of N7.298tn might increase in order to accommodate the fresh requests. Both the Senate and the House of Representatives had earlier set March 30 as the date they would pass the budget, but later made a U-turn. For instance, at the House, after the various standing committees failed three times to meet deadlines set by the Speaker, Mr. Yakubu Dogara, it said the March 30 date was no longer sacrosanct.

Annualized GDP Growth Rate Q4'2016



Source: Markit, Reuters, Financial Times, Cordros Research

IMF 2017 economic growth forecast



Source: IMF World Economic Outlook

Macro Indicators (Nig)	Current	2016 Year Start
Real GDP growth	-1.30%	2.84%
MPR	14.0%	11.0%
CPI	17.26%	9.4%
Exchange Rate (USD)	N306.05	N198.52
Foreign Reserve (US\$'bn)	30.39	28.98
Unemployment	13.9%	9.9%
Brent Crude Oil Price (US\$)	53.2	37.22

Source: IMF, CBN, NBS, Cordros Research

Apr 13, 2017

Global Equities Market

Global equities market closed on a BEARISH note, with all indices within our coverage universe declining amid lingering geopolitical tension, cautiousness ahead of earnings season, and President Donald Trump's comments.

In the U.S., investors remained cautious going into the first-quarter earnings season while lingering geopolitical concerns lured investors out of risky assets into the perceived safety of treasuries, gold, and the Japanese yen. Earlier gains in energy shares were weighed down by latter losses by financial stocks following earnings from three of the largest U.S. banks (J.P. Morgan Chase & Co., Citigroup Inc., and Wells Fargo & Co.). Overall, the DJIA (-0.24% w/w) and S&P 500 (-0.42% w/w), despite a reported fall in U.S. inflation at the wholesale level – for the first time in seven months – had declined at the time of writing. It was a similar story in Europe, as investors also held back from making major moves amid lingering worries about the crisis in Syria and the hotly contested French election. Heightening concerns were President Donald Trump's comments on the dollar and interest rates, which prompted doubts about the rest of his administration's agenda. Indeed, the magnitude of selloff could not be subdued by notable gains recorded by auto shares. Consequently, both the FTSE 100 (-0.30% w/w) and Euro Stoxx 50 (-1.11% w/w) closed in the red.

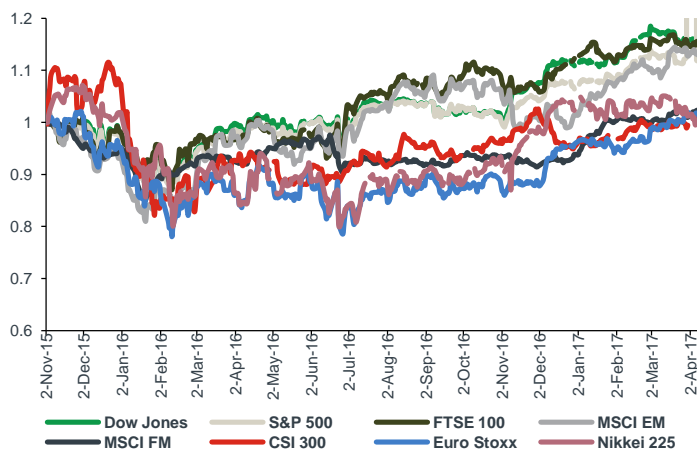
In Asia, stocks commenced the week on a positive note, supported particularly by a weakening yen. Gains were subsequently sustained by rising crude oil prices. Meanwhile, international tensions over Syria and North Korea discouraged stock buying, despite the positives highlighted above. Appetite weakened further as President Donald Trump's comments on the U.S. dollar sent the greenback lower against its Asian counterparts, sparking additional selloff. At the time of writing, the Japanese Nikkei 225 had lost 1.27% w/w, while the Chinese CSI 300 had posted a lower 0.08% loss.

Nigerian Capital Market Equities

The Nigerian equities market closed lower this week, with the All Share Index shedding 0.92% w/w to close at 25,510.01 points. This week's decline expectedly followed profit-taking across major stocks, following two weeks of bargain hunting. There was hardly any positive news from the macro environment, except that (1) the apex bank reiterated its commitment to improve FX liquidity to tame the renewed pressure on the currency at the parallel market and (2) inflation figure for the month of March fell to 17.26%, from 17.78% in February. Gains and losses were split in each half of the four-day trading week, with the declines coming at the beginning of the week. On Tuesday, the All Share Index recorded its largest loss, shedding 0.58% to close at 25,478.06 point, before inching up by 0.07% and 0.05% on Wednesday and Thursday respectively. Compared to last week, all indices closed lower, with the Oil & Gas (-3.06% w/w) index losing the most, following selloffs in MOBIL (-10.00% w/w) and SEPLAT (-1.27% w/w). Likewise, the Banking (-0.40% w/w), Insurance (-0.92% w/w), Consumer Goods (-1.58% w/w), and Industrial Goods indices (-1.55% w/w) declined, as investors liquidated their holdings in ZENITHBANK (-0.21% w/w), GUARANTY (-1.20% w/w), MANSARD (-3.80% w/w), CONTINSURE (-1.57% w/w), GUINNESS (-0.08% w/w), UNILEVER (-5.00% w/w), DANGCEM (-0.36% w/w), and WAPCO (-3.16%) respectively.

Market breadth was negative, with 13 gainers (35 last week) -- topped by FIDELITYBK (+21.43% w/w) -- versus 34 losers (20 last week) -- led by DANGSUGAR (-14.29% w/w). Total volume traded increased by 51.55% to 1.19 billion shares (786.18 million last week), with FIDELITYBK, FCMB, and STACO accounting for 36.33% of the market volume. The value of trades also increased by 30.87% to N6.04 billion (previously to N5.83 billion), with ZENITHBANK, GUARANTY, and NESTLE accounting for 30.87% of total value.

Global Markets



Source: Bloomberg, Cordros Research

	NSE ASI	ASI % Δ	Volume ('mn)	Value (N'mn)	Deals
13-Apr-17	25,510.01	0.05%	349.28	2,279.97	2,826
12-Apr-17	25,496.71	0.07%	247.68	1,247.15	2,909
11-Apr-17	25,478.06	-0.58%	402.68	1,924.67	3,459
10-Apr-17	25,626.37	-0.47%	191.84	584.72	2,626
07-Apr-17	25,746.52	-0.03%	107.94	907.73	2,405
06-Apr-17	25,755.18	1.11%	241.62	1,489.83	3,339
05-Apr-17	25,471.69	0.81%	158.71	1,127.25	3,048
04-Apr-17	25,266.15	-0.03%	180.22	1,620.12	2,917
03-Apr-17	25,273.03	-0.95%	97.69	682.76	2,634

Ticker	WTD	YTD	Ticker	WTD	YTD
FIDELITYBK	21.43%	21.43%	DANGSUGAR	-14.29%	-1.80%
CILEASING	14.29%	28.00%	FCMB	-12.17%	-8.18%
TRANSCORP	5.33%	-9.20%	LIVESTOCK	-7.25%	-23.81%
FIDSON	5.26%	-21.88%	MOBIL	-10.00%	16.13%
INTBREW	4.92%	-5.41%	OANDO	-5.25%	18.94%

Source: NSE, Cordros Research

Fixed Income and Money Market

Interbank

The money market overnight rate expanded by 51.58% w/w to 66.83%, from last week's close of 15.25%, amid continued tight system liquidity, wherein the overnight rate surged to as high as 200% on Wednesday. The movement in rate this week was driven by (1) the sale of OMO bills worth N31.28 billion, (2) the lingering impact of the debits for FX sales [totaling USD418 million last Friday and a further USD550 million in both spot (USD100 million) and forward (USD450 million) interventions this week], and (3) bond sales, totaling N105.32 billion, which outweighed inflow from OMO bills worth N80.01 billion that matured into the system today.

Treasury Bills

The Nigerian Treasury Bills market remained pressured amid tight liquidity condition (discussed under interbank section), with average yield rising by 55 bps w/w to 18.12%. The selloff was most sizeable at the short (+138 bps) end of the curve, wherein the 42DTM bill recorded the largest expansion (+326 bps to 18.90%). Yield expanded by 39 bps and 26 bps, respectively, at the intermediate and longer segments. At next week's NTB auction, the apex bank will offer N167.52 billion across the 91-day (N36.79 billion), 182-day (N35.00 billion), and 364-day (N95.73 billion) bills.

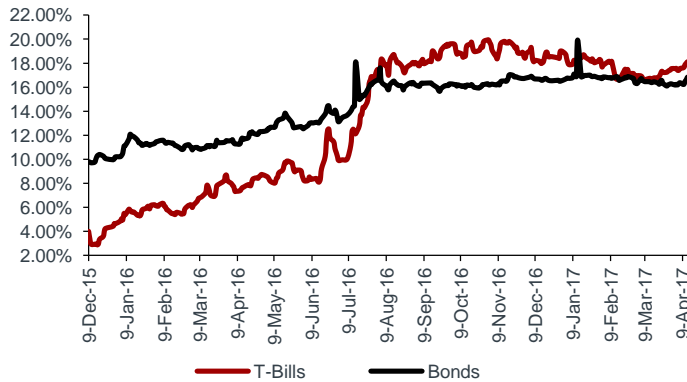
Bonds

At Wednesday's bond auction, the Debt Management Office raised N105.32 billion, selling N15.03 billion (vs. N35 billion offered) of the JUL 2021, N34.04 billion (vs. N50 billion offered) of the MAR 2027, and N56.25 billion (vs. N50 billion offered) of the APR 2037 maturities. The stop rate on the JUL 2021 (15.99% vs. 16.24%) and MAR 2027 (16.24% vs. 16.29%) came in lower, while stop rate on the newly issued APR 2037 came in at 16.24%. The JUL 2021 and MAR 2027 bonds were undersold by N19.97 billion and N15.96 billion respectively, while the APR 2037 bond was oversold by N6.25 billion. In the secondary market, proceedings ended on a bearish note, with average yield moving northward by 46 bps w/w to 16.83%. It bears noting that the magnitude of expansion would have been 32 bps lower, save for the newly listed FGN Savings Bonds (FGNSB 22-MAR-2019, FGNSB 12-APR-2019, AND FGNSB 12-APR-2020). Yield expansion across all traded bond – with the exception of the APR 2017 (-82bps to 14.31%) caused yields to rise by 76 bps, 35 bps, and 23 bps across the short, mid, and long ends of curve respectively.

Foreign Exchange

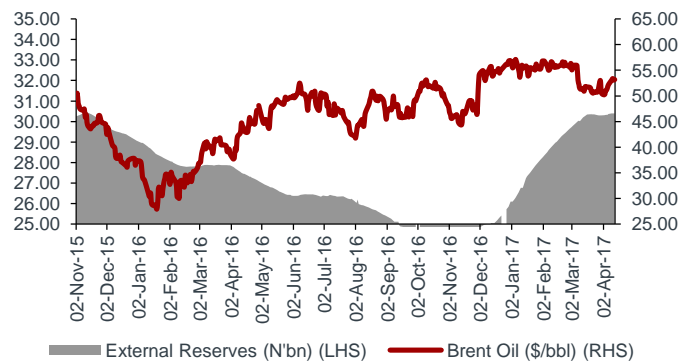
This week, the apex bank, reiterating its commitment to improving the lots of the Naira, (1) started offering shorter-dated forward currency contracts (delivery ranging from 7 - 30 days) to meet the demand of manufacturers and end users, (2) opened a special forex window for the Small and Medium Enterprises (SMEs), to enable the importation of eligible finished and semi-finished items not exceeding USD20,000 for an enterprise per quarter, and (3) offered a total of USD550 million in both currency forward contracts (USD450 million) and spot (USD100 million) interventions. On the side, the Association of Bureau De Change Operators of Nigeria (ABCON) convened during the week, putting forward the proposition that an increment in their profit margin from NGN2 to NGN10, could check operators' tendency for round tripping. In addition to an already set up investigative panel for pending cases, the group also resolved to self-regulation measures in a bid to expose culpable members. Also, the apex bank has increased the limit on banks' FCY borrowings to 125% of shareholders' fund after some lenders breached its regulatory limit due to the recent fall in the LCY. The new regulation replaces a 2014 rule capping foreign borrowings, including Eurobonds, at 75% of shareholders' funds. Overall, the naira -- in the interbank segment -- strengthened against two of the currencies we track. The NGN/USD (+0.03% w/w) and NGN/EUR (+0.02% w/w) strengthened to N306.05 and N331.78, while the NGN/GBP (-0.90% w/w) weakened to N394.18. In the parallel market, the LCY weakened against the greenback (-1.23% w/w), pound (-2.04% w/w), and euro (-2.35% w/w) to N410, N500, and N435 respectively.

Nigeria: Fixed Income Yields (Average)



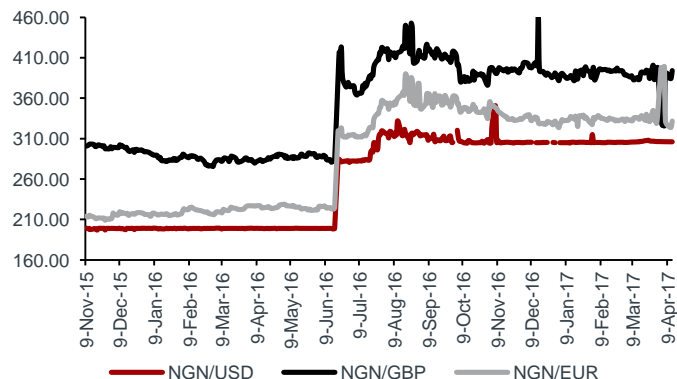
Source: FMDQ, Cordros Research

Nigeria: External Reserves and Brent Crude



Source: CBN, Bloomberg, Cordros Research

Nigeria: Exchange Rate



Source: CBN, Bloomberg, Cordros Research

Apr 13, 2017

Outlook

Equities: We expect equities to close higher in the coming week, as investors look to buy into fairly priced stocks.

Interbank: In addition to next week's NTB auction, -- wherein the apex bank is expected to raise N162.72 billion via the issue of the 91-DTM (N36.79 billion), 182-DTM (N28.20 billion), and 364-DTM (N95.73 billion) bills respectively -- we highlight potential upside (despite N25.27 billion maturing in the coming week) from the impact of the apex bank's continued sale of FX in the interbank window.

T-Bills: We expect demand at the NTB auction to mirror liquidity position, with investors, at the secondary market, taking a cue from the auction stop rates.

Bonds: We expect modest demand in this space in the coming week, following today's reported fall in March's inflation rate to 17.26%, from 17.78% in February.

Currency: We expect the LCY to hover around recent levels in the interbank window, on the back of the apex bank's continued intervention. We expect the NGN to strengthen at the parallel market, following the CBN's proposed increased weekly dollar sale of USD40,000 (from the present USD20,000) to retail currency bureaus.