Weekly Economic and Market Review
Synoptic

Apr 21, 2017

Economy

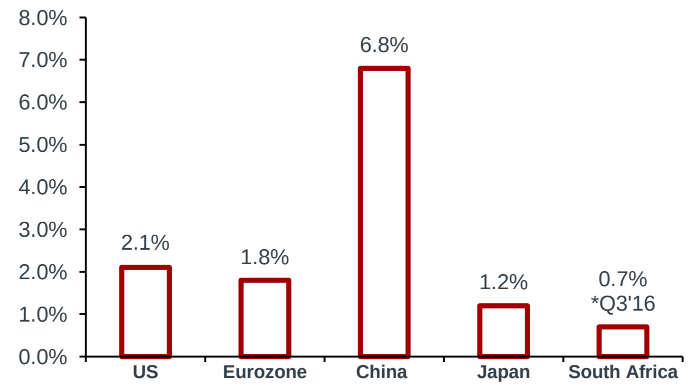
The Global economy is expected to grow by 3.5 per cent this year, and would edge higher to 3.6 per cent by 2018, the International Monetary Fund (IMF), forcasts have indicated. The world financial body in a release yesterday by its Economic Counsellor and Director of the Research Department, Maurice Obstfeld, said the momentum in the global economy has been building since the middle of last year, "allowing us to reaffirm our earlier forecasts of higher global growth this year and next. We project the world economy to grow at a pace of 3.5 percent in 2017, up from 3.1 percent last year, and 3.6 percent in 2018.“

New applications for U.S. jobless benefits rose slightly more than expected last week, but a drop in the number of Americans on unemployment rolls to a 17-year low suggested the labor market continues to tighten. Other data on Thursday showed factory activity in the mid-Atlantic region slowed in April amid a pullback in new orders and shipments. But factories hired more workers and increased working hours, underscoring the labor market's strength. Initial claims for state unemployment benefits increased 10,000 to a seasonally adjusted 244,000 for the week ended April 15, the Labor Department said on Thursday. The increase followed three straight weeks of declines.

In Nigeria, the Federal Government has approved the reduction of documentation requirements and timeline for import and export trade transactions to 48 hours. A circular to authorised dealers, signed by the Central Bank of Nigeria (CBN) Director, Trade and Exchange Department, W.D. Gotring explained that the revised documentation requirements and timeline for processing Form 'NXP' include the Revised Import Documentation: Bill of lading, Certificate of Origin (formerly Combined Certificate of Value of Origin), Commercial Invoice and Exit Note (formerly Exit Gate). Other documentations are Form 'M', Packing List, Single Goods Declaration and Product Certificate.

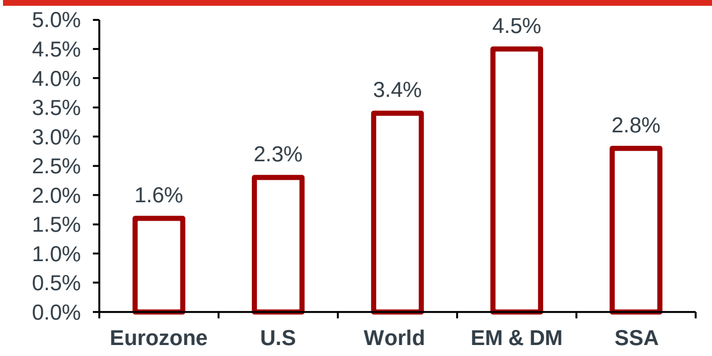
The United Nations Development Programme on Tuesday released its 2016 Global Human Development Index report, with Nigeria ranked low at 152nd out of the 188 countries surveyed. The 2016 Human Development Report focuses on those communities that have been left behind, despite development progress over the last 25 years. It recognises that in most countries, certain groups remain acutely disadvantaged. These groups, according to the report, include women and girls, rural communities, and persons with disabilities.

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)	N306.00	N198.52
Foreign Reserve (US$’bn)	30.59	28.98
Unemployment	13.9%	9.9%
Brent Crude Oil Price (US$)	50.49	37.22

***Source**: IMF, CBN, NBS, Cordros Research*

CORDROS CAPITAL

Weekly Economic and Market Review
Synoptic

Apr 21, 2017

Global Equities Market

Sentiment was mixed across global equities, with factors that shaped performance ranging from lingering geopolitical concerns, corporate earnings, economic data, oil prices, to currency swings.

Trading activities in the U.S. reflected investors' reaction to positives from (1) a deluge of stronger-than-expected corporate earnings, (2) economic data – specifically underscoring the strongest U.S. labour market in years, and (3) fresh optimisms about Trump tax bill. On the negative, demand tapered during the week on the back of France's closely watched presidential election coming up this weekend, and a selloff in energy shares following a fall in oil prices, and a drop in International Business Machines Corp. Nonetheless, the DJIA and S&P 500 reversed last week's losses, posting weekly gains of 0.66% and 1.06% respectively. The bears dominated European markets, with selloffs triggered by (1) U.K. Prime Minister Theresa May surprisingly calling an early general election, and (2) a suspected terror attack in Paris just days ahead of the France's presidential election. Modest gains recorded during the week were primarily driven by encouraging earnings reports. Overall, the FTSE 100 (-2.87% w/w) and Euro Stoxx 50 (-0.11% w/w) extended losses.

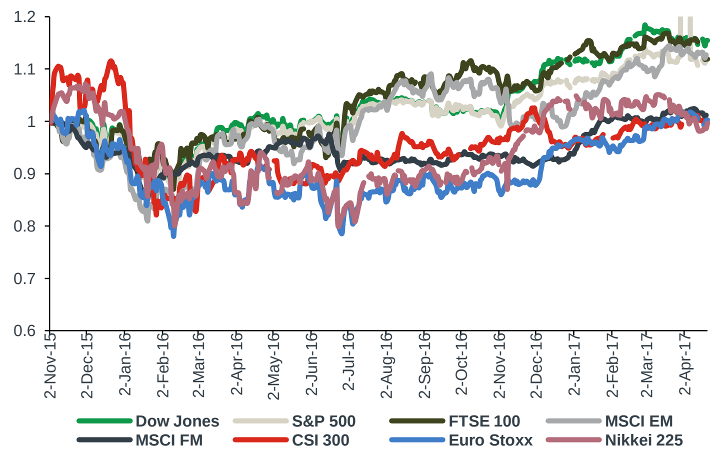
In Asia, proceedings were mixed, with investors closely monitoring market trend in the U.S. In addition to a stronger dollar, overnight gains on Wall Street lifted appetite across Asian markets. Meanwhile, investors reacted negatively to an escalating regulatory crackdown on stock manipulation. Expectedly, investors ended the week by positioning themselves ahead of the start of the French presidential election. In all, the CSI 300 lost 0.55% w/w while the Nikkei 225 gained 1.56% w/w.

Nigerian Capital Market
Equities

The Nigerian equities market closed lower this week, following a decline across majority of the sector indices. The All Share Index shed 1.26% w/w to close at 25,189.37 points. The loss was recorded, notwithstanding positive news about the (1) renewed strengthening of the Naira in the parallel market, (2) NBS guidance to possible economic growth in the first quarter, and (3) better-than-expected Q1-17 results released by big-name consumer goods companies. The All Share Index closed lower in three of the week's four trading sessions, recording its largest loss on Tuesday (1.19%), wherein it closed at 25,207.07 points. Compared to last week, most indices shed weight, with the Banking (-1.65% w/w) index recording the largest loss, as investors sold-off FCMB (-0.99% w/w) and FIDELITYBK (-20.59% w/w). Likewise, losses recorded in the shares of 7UP (-14.25% w/w), NB (-2.35% w/w), DANGCEM (-3.05% w/w), AVONCROWN (-4.39% w/w), MANSARD (-1.32% w/w), and CUSTODYINS (-5.63% w/w) ensured that the Consumer Goods (-1.03% w/w), Industrial Goods (-1.38% w/w), and Insurance (-0.80% w/w) indices respectively shed weight. On the positive, the Oil & Gas (+0.60% w/w) index advanced, following demand for SEPLAT (+3.85% w/w) and FO (+1.14% w/w).

Market breadth was negative, with 22 gainers (13 last week) -- topped by TRANSCORP (+22.78% w/w) -- versus 30 losers (34 last week) -- led by FIDELITYBK (-20.59% w/w). Total volume traded declined by 24.74% to 896.75 million shares (1.19 billion last week), with DIAMONDBNK, TRANSCORP, and LAWUNION accounting for 37.40% of the market volume. The value of trades also fell by 1.97% to N5.92 billion (previously N6.04 billion), with GUARANTY, ZENITHBANK, and NB accounting for 45.71% of total value.

Global Markets



***Source**: Bloomberg, Cordros Research*

	NSE ASI	ASI % ∆	Volume ('mn)	Value (N'mn)	Deals
21-Apr-17	25,189.37	-0.39%	171.61	1,106.48	2,846
20-Apr-17	25,288.11	-0.17%	147.89	836.84	2,578
19-Apr-17	25,331.77	0.49%	322.30	1,525.50	2,907
18-Apr-17	25,207.07	-1.19%	254.96	2,448.87	2,854
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
21-Apr-17	25,189.37	-0.39%	171.61	1,106.48	2,846

Ticker	WTD	YTD	Ticker	WTD	YTD
UNILEVER	6.77%	1.43%	FIDELITYBK	-20.59%	-3.57%
DIAMONDBNK	7.14%	2.27%	7UP	-14.25%	30.27%
STANBIC	9.12%	36.47%	ETI	-13.41%	-30.93%
AFRIPRUD	9.70%	-14.75%	OKOMUOIL	-9.54%	18.25%
TRANSCORP	22.78%	11.49%	NASCON	-9.47%	-8.94%

***Source**: NSE, Cordros Research*

Apr 21, 2017

Fixed Income and Money Market

Interbank
The money market overnight rate declined 37.16% w/w to 29.67%, from last week's close of 66.83%, amid modest improvement in system liquidity. Although the overnight rate climbed as high as 150% on Tuesday, the rate declined subsequently on (1) net OMO inflow of 24.9 billion and (2) net NTB inflow of N77.89 billion, despite (3) the debits for FX sales totaling USD380 million.

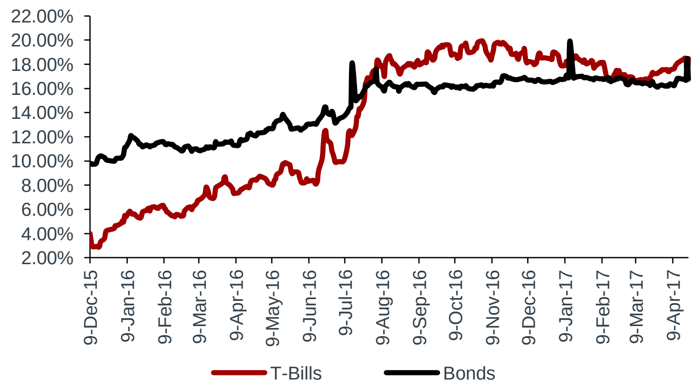
T-Bills
At Wednesday's NTB auction, the apex bank raised N89.63 billion (vs. planned N167.52 billion) across the 91-DTM (N12.30 billion vs. N36.79 billion offered), 182-DTM (N25.51 billion vs. N35.00 billion offered), and 364-DTM (N51.82 billion vs. N105.22 billion offered) bills. The stop rate on the 91-DTM (13.60%, previously 13.55%), 182-DTM (17.40%, previously 17.21%), and 364-DTM (18.98%, previously 18.74%) came in higher than the previous auction. Noteworthy, the 91-DTM, 182-DTM, and 364-DTM bills were oversubscribed by N1.6 billion, N0.60 billion, and N9.49 billion respectively. The auction result further reflected constrained demand amid persistent strain on liquidity. Unsurprisingly, investors were downbeat in the secondary market, with average yield increasing by 36 bps w/w to 18.48%. Selloff was most notable at the short (+121 bps) end of the yield curve, while yield expanded by 11 bps at the longer end. Conversely, the mid (-6 bps) segment attracted modest interest.

Bonds
The bond market similarly closed on a bearish note, with average yield rising by 6 bps w/w to 16.76%. Save for the JUL 2017 (-108 bps to 19.35%), AUG 2017 (-85 bps to 19.57%), and JUL 2021 (-19 bps to 16.47%) bonds, all traded bonds recorded yield expansion. Notably, the APR 2017 (+123 bps to 15.55%) bond – which is due to mature in the coming week – was most hit. This week's selloff occurred across all – short: +5 bps; intermediate: +7 bps; and long: +14 bps – ends of the curve.

Foreign Exchange

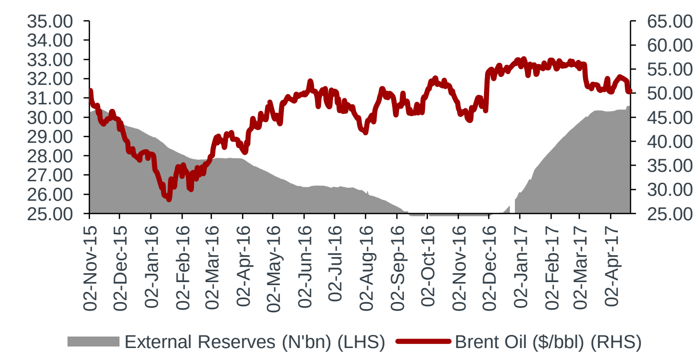
It was another busy week in the FX market, wherein the central bank continued its intervention, while also made new "pronouncements". On intervention, the apex bank (1) sold USD380 million via forward contracts and USD80 million on the spot and (2) sold an unspecified amount in forwards to manufacturing, airlines and fuel importers, in a bid to offset the backlog of demand. On pronouncements/actions, (1) it was reported that the CBN introduced Form Q to improve SMEs' access to FX for amounts less than or equal USD10,000.00, (2) established the "Investors & Exporters" FX window, for end-users to access FX for bills collection, loan, and loan interest repayments, dividend/ income remittances, capital repatriation, and any other invisible transactions under memorandum 15 of the CBN foreign exchange manual, and (3) commenced the weekly sales of USD40,000 to BDC operators in an attempt to reduce the liquidity squeeze on FX at both the interbank and parallel market. In a news letter published on Thursday, the FMDQ informed all participants in the Naira-settled OTC FX Futures market that a trading halt had been placed on All OTC FX Futures contracts, effective Wednesday, April 18, 2017, due to a suspension of the Central Bank of Nigeria's quotes. Members were also informed that trading is expected to resume on Wednesday, April 26, 2017. Overall, the Naira reacted positively in the parallel market, strengthening against the NGN/USD (+6.10% w/w), NGN/GBP (+2.00% w/w), and NGN/EUR (+5.75% w/w) to N385, N490, and N410 respectively. In the interbank space, the NGN/USD (+0.02% w/w) and NGN/EUR (+0.48% w/w) strengthened to N306.00 and N334.28 respectively, while the NGN/GBP (-1.67% w/w) weakened to N403.04.

Nigeria: Fixed Income Yields (Average)



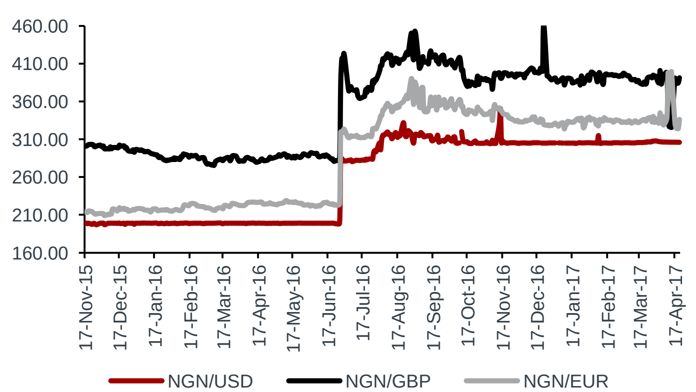
***Source**: FMDQ, Cordros Research*

Nigeria: External Reserves and Brent Crude



***Source**: CBN, Bloomberg, Cordros Research*

Nigeria: Exchange Rate



***Source**: CBN, Bloomberg, Cordros Research*

Apr 21, 2017

Outlook

Equities: Following two consecutive weeks of losses, we expect some bargain hunting in the week ahead. Continued better-than-expected Jan-Mar results could act as tailwind for market recovery.

Interbank: OMO bills (N52.95 billion) and bonds (N516.38 billion) are expected to mature in the coming week. Asides that, there will be further cash injection via the monthly budgetary allocation to states and local governments. Although we expect the central bank will be more aggressive in taming the expected inflows, we look for southward movement in rates.

T-Bills: We expect demand to rebound in this space in the coming week, as liquidity position benefits from significant cash injections from (1) maturing OMO bill worth N52.95 billion, (2) N516.38 billion from maturing 27-APR-2017 bond, and (3) monthly fiscal allocations to government agencies.

Bonds: We expect modest demand in the week ahead, supported by expected improvement in system liquidity (as discussed in interbank section).

Currency: We expect the Naira to gain in the coming week at both the interbank and parallel markets, as the apex bank continues to boost FX liquidity to meet both commercial and retail demands.