

## Local Financial Markets Gain Steam amid Global Recovery

*The global economy continued to expand for the fifth consecutive month in November as output, new orders and employment rates continued to grow. According to J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 53.1 points in November, slower than 53.1 points in October.*

*Nigeria's foreign exchange reserves declined month-on-month by 0.77% to USD35.41 billion at the end of November despite increased crude oil prices over the same period (Bonny Light climbed m-o-m by 28.32% to USD48.45 a barrel). Consequently, Naira depreciated against the greenback in most forex market segments in November, except at the interbank forex market where Naira gained 0.05% to average N38.79/USD.*

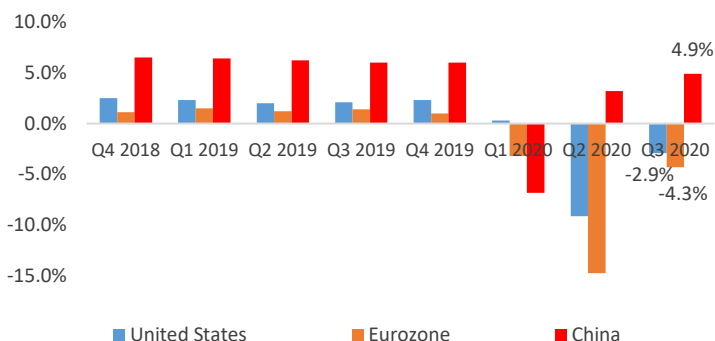
*Nigeria's real Gross Domestic Product contracted y-o-y by 3.62% to N17.82 trillion in Q3 2020, albeit better than a 6.10% contraction printed in Q2 2020. The non-oil sector shrank y-o-y by 2.51% but grew by 12.36% q-o-q to N16.27 trillion. The oil & gas sector fell y-o-y by 13.89%, from a 6.63% contraction printed in Q2 2020; albeit, it grew q-o-q by 9.64% amid significant rise in the price of Bonny light in Q3 2020. The manufacturing composite PMI rose from contraction to 50.2 index points in November (from 49.4 in October). However, the non-manufacturing sector contracted to 47.6 index points in November (albeit, slower than 46.8 index points in October).*

*In November, institutional investors continued to trade relatively safe assets, thus dragging short term stop rates and yields further south. At the secondary market, investor demand for T-bills remained strong, pushing Nigerian Interbank Treasury Bills True Yields (NITTY) to record lows – in tandem with primary market stop rates – such much so that NITTY for 1 month, 3 months and 6 months maturities fell into negative territory on November 17 2020; viz -0.092%, -0.069% and -0.037% respectively.*

*The Nigerian stock market rallied strongly in November, mainly due to increased domestic participation amid expectation of positive corporate releases in the Q3 earnings season and thinned-out yields in the fixed income space.*

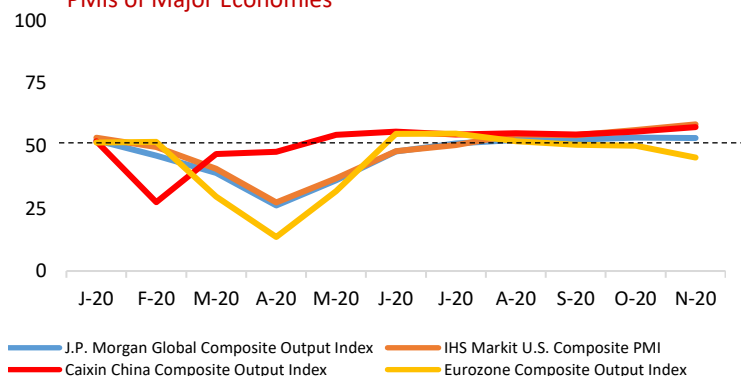
## Global Economy

GDP Growth Rates of Major Economies



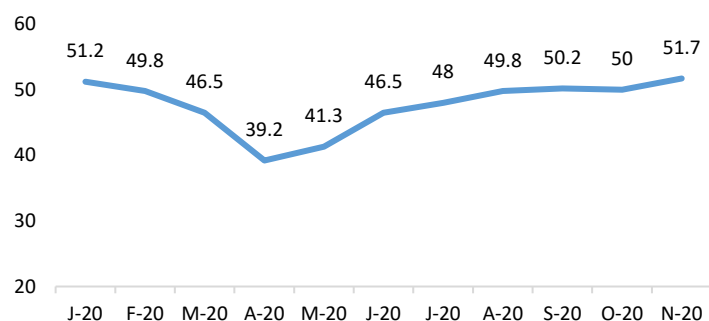
Source: Trading Economics, Cowry Research

PMIs of Major Economies



Source: Markit Economics, Cowry Research

J.P. Morgan Global Composite Employment Index

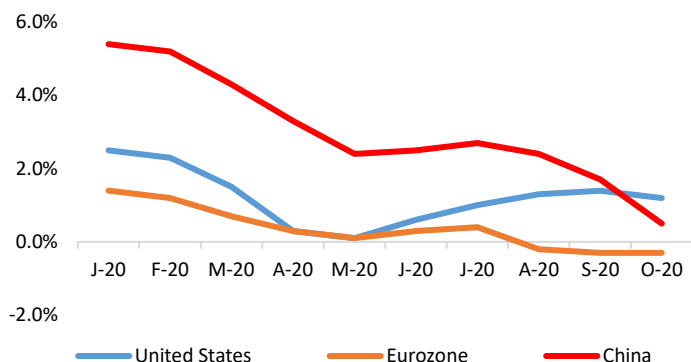


Source: Markit Economics, Cowry Research

The global economy continued to expand for the fifth consecutive month in November as output, new orders and employment rates continued to grow. According to J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 53.1 points in November, slower than 53.1 points in October. The consumer goods and investment goods categories saw faster growth rates; however, intermediate goods, business services and financial services saw slower growth rates while consumer services remained in negative territory, seeing output contract for the tenth month in a row.

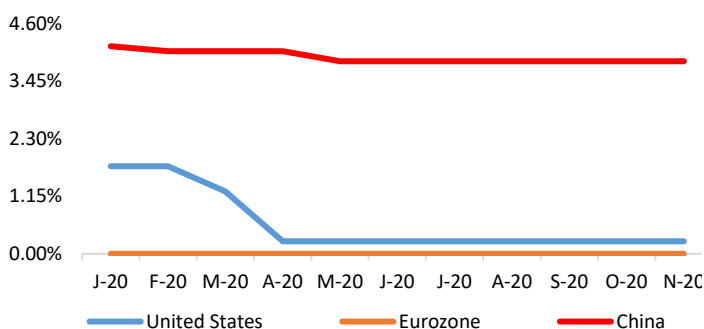
The United States recorded relatively robust expansion in November as IHS Markit U.S. Composite PMI rose to 58.6 points, faster than 56.3 points in October. Expansion in the US was broad-based as manufacturers and service providers both registered faster expansions; mainly driven by domestic demand (from new and existing customers). China's expansion was also broad-based as the Caixin Composite Output Index rose to 57.5 points in November from 55.7 points in October amid increase in business confidence and incoming businesses which contributed to steady rise in employment. However, the Eurozone fell into contraction territory as IHS Markit Eurozone Composite PMI pointed to 45.3 points in November (from 50 points in October) amid fears of a second wave of the COVID-19 pandemic and as lockdown measures in the economic region intensified to contain the possibility of another outbreak. Services sector saw sharply reduced activity in contrast to sustained growth in the manufacturing sector.

## Inflation Rates of Major Economies



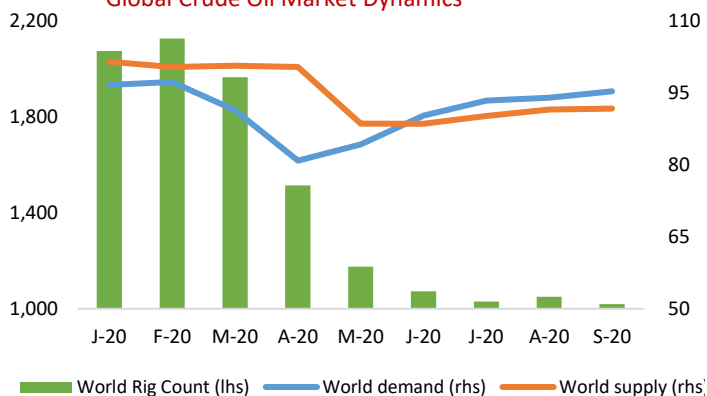
Source: Trading Economics, Cowry Research

## Short term Interest Rates of Major Economies



Source: Trading Economics, Cowry Research

## Global Crude Oil Market Dynamics



Source: US Energy Information Administration, Opec, Cowry Research

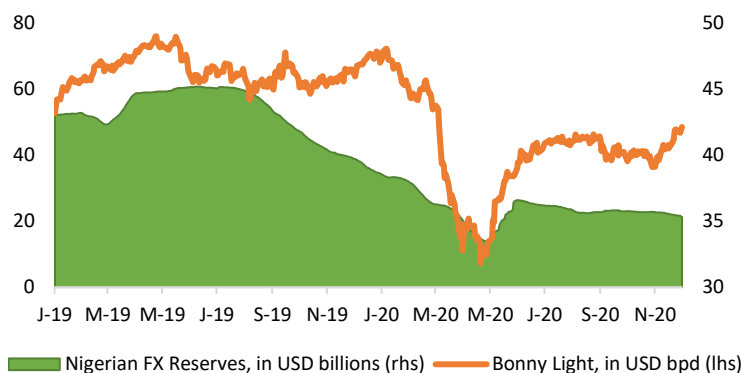
Meanwhile, available data showed that the Euro area recorded an inflation rate of minus 0.3% (a deflation) in November, unchanged from the preceding month. The United States and China registered inflation rates of 1.2% and 0.5% in October (lower than 1.4% and 1.7% in September).

Meanwhile, the People's Bank of China (PBoC) retained its benchmark interest rates at its November fixing amid continued efforts to support recovery from COVID-19 disruption. The one-year loan prime rate (LPR) was retained at 3.85% while the five-year remained at 4.65%. Likewise, US Federal Reserve kept the target range for the federal funds rate steady at 0% - 0.25% due to the need to achieve desired employment and inflation levels. The European Central Bank (ECB) retained its main refinancing rate at 0% while the deposit rate was retained at -0.5%.

In the global energy market, recent statistics from the U.S. Energy Information Administration show that world crude oil consumption increased m-o-m by 1.41% to 95 million barrels per day (mbpd) as at September while world crude oil supply rose by a marginal 0.27% to 92 mbpd as at September. However, world rig count declined by 2.95% to 1,019 as at September, suggestive of a weaker near-term outlook for crude oil consumption. Global crude oil prices generally tanked in the month of October amid weak demand by refineries, particularly in Europe and Asia – Brent crude oil price slumped m-o-m by 10.31% to USD37.94/bbl.

## Nigerian Economy

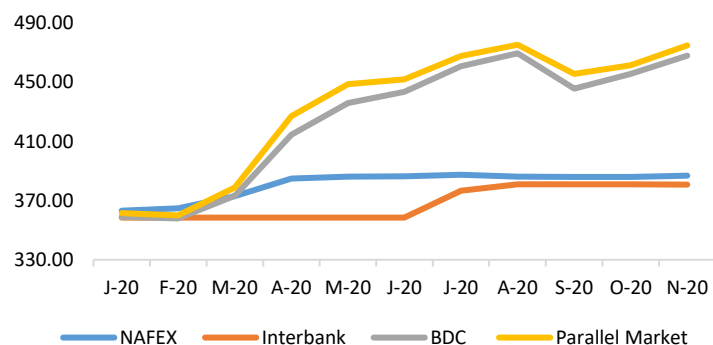
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

Nigeria's foreign exchange reserves declined month-on-month by 0.77% to USD35.41 billion at the end of November despite increased crude oil prices over the same period (Bonny Light climbed m-o-m by 28.32% to USD48.45 a barrel). Consequently, Naira depreciated against the greenback in most forex market segments in November, except at the interbank forex market where Naira gained 0.05% to average N38.79/USD.

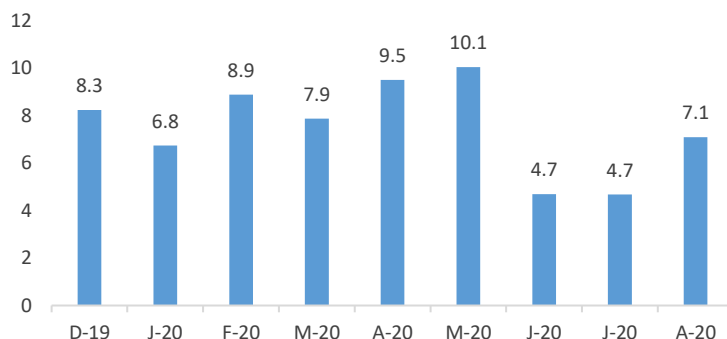
Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

Latest data showed that goods and services import cover rose to 7.1 months in August from 4.7 months in July. However, external debt cover dropped to 115.0% as at June from 127.1% as at March.

Goods and Services Import Cover (months)



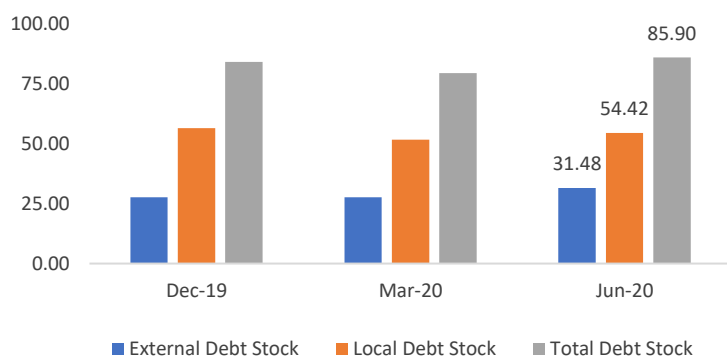
Source: Central Bank of Nigeria Monthly Economic Report, Cowry Research

External Debt Cover

	External Debt (1)	External Reserves (2)	(2) as %age of (1)
Dec-19	USD27.68 Bn	USD38.60 Bn	139.5%
Mar-20	USD27.67 Bn	USD35.16 Bn	127.1%
Jun-20	USD31.48 Bn	USD36.19 Bn	115.0%

Source: Debt Management Office, Central Bank of Nigeria, Cowry Research

National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

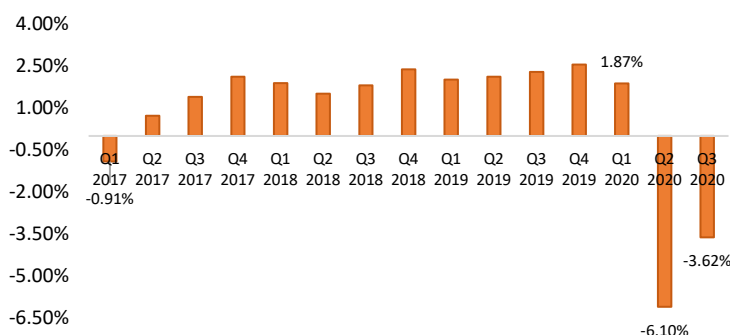
## CBN Moves to Arrest Dollar Scarcity, Currency Speculation

In an effort to liberalize, simplify and improve the receipt of and administration of diaspora remittances into Nigeria, the Central Bank reviewed remittance procedures to ensure that beneficiaries of foreign currency had the option to receive payments in either cash or as credits in their domiciliary accounts – against the old practice where beneficiaries were only paid in local currency. This is expected to boost dollar supply and relieve demand pressure (especially from currency speculators) in the forex market.

## Nigeria Economy Slides into Recession in Q3 2020

Nigeria's real Gross Domestic Product contracted y-o-y by 3.62% to N17.82 trillion in Q3 2020, albeit better than a 6.10% contraction printed in Q2 2020. The non-oil sector shrank y-o-y by 2.51% but grew by 12.36% q-o-q to N16.27 trillion. The oil & gas sector fell y-o-y by 13.89%, from a 6.63% contraction printed in Q2 2020; albeit, it grew q-o-q by 9.64% amid significant rise in the price of Bonny light in Q3 2020.

### Y-o-Y Real GDP Growth Rates

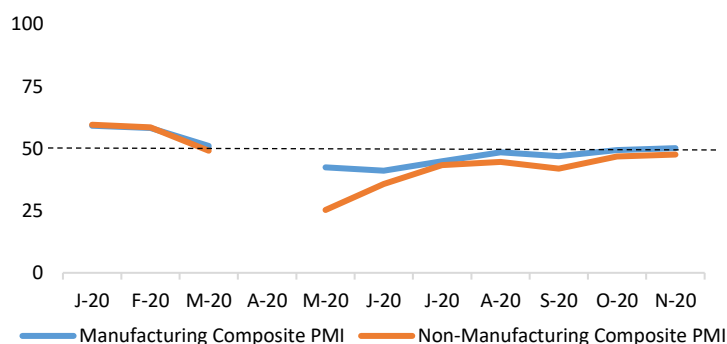


Source: National Bureau of Statistics, Cowry Research

## Economy Shows Sign of Recovery in November

The manufacturing composite PMI rose from contraction to 50.2 index points in November (from 49.4 in October). However, the non-manufacturing sector contracted to 47.6 index points in November (albeit, slower than 46.8 index points in October).

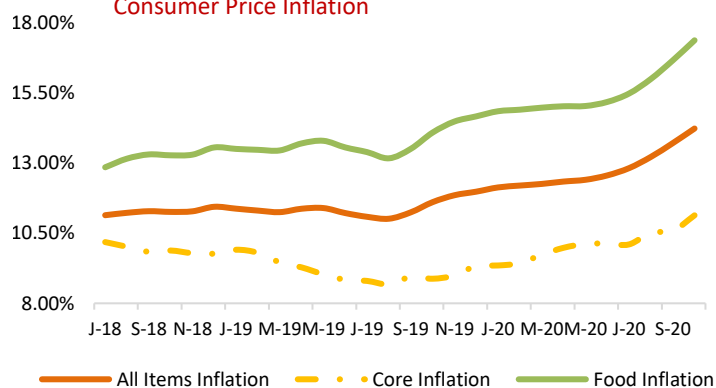
### Business Activity



Source: Central Bank of Nigeria, Cowry Research

Annual inflation rate continued to trek northwards, having risen to 14.23% in the month of October (from 13.71% recorded in September).

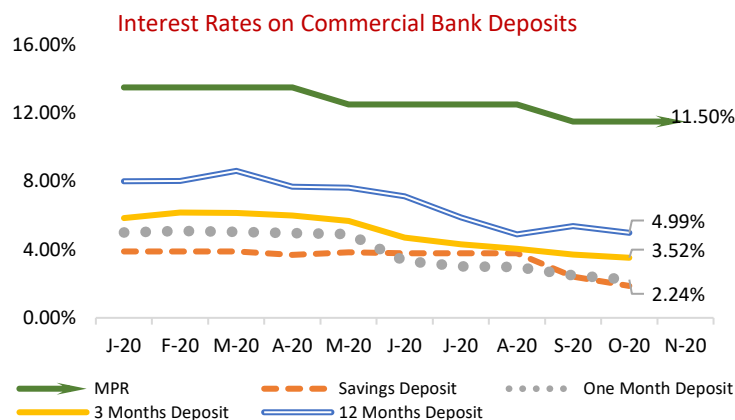
### Consumer Price Inflation



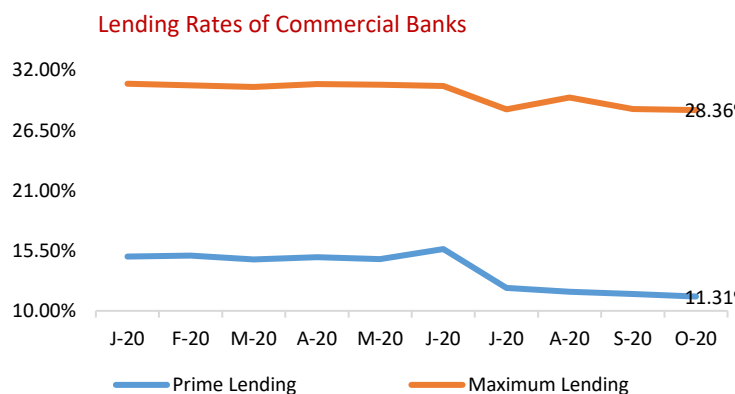
Source: National Bureau of Statistics, Cowry Research

The rise in inflation rate was chiefly due to an increase in Food inflation rate to 17.38% in October (from 16.66% recorded in September). Also, core inflation rate spiked to 11.14% (from 10.58% in September) amid rise in transport (transport fare surged on higher fuel price), clothing & footwear as well as housing water & electricity costs amongst others.

Meanwhile, the Monetary authority retained the Monetary Policy Rate (MPR) at 11.50% and left the asymmetric Corridor at +700bps/-100bps around the MPR in order to allow for time for recent expansionary measures to take effect.

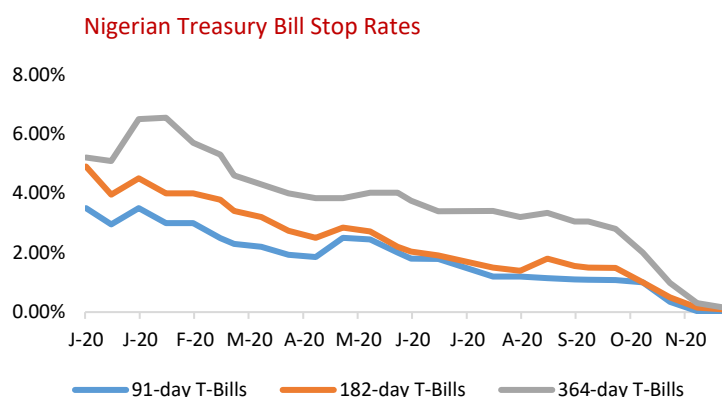


Source: Central Bank of Nigeria, Cowry Research



Source: Central Bank of Nigeria, Cowry Research

In November, institutional investors continued to trade relatively safe assets, thus dragging short term stop rates and yields further south. At the primary market T-Bills auctions, stop rates for 91-day, 182-day and 364-day bills fell to 0.02%, 0.09% and 0.15% respectively in November (from 0.34%, 0.50% and 0.98% in October).



Source: Central Bank of Nigeria, Cowry Research

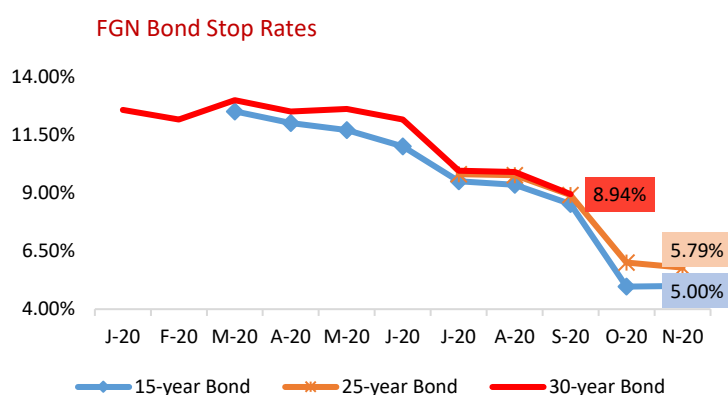
At the secondary market, investor demand for T-bills remained strong, pushing Nigerian Interbank Treasury Bills True Yields (NITTY) to record lows – in tandem with primary market stop rates – such much so that NITTY for 1 month, 3 months and 6 months maturities fell into negative territory on November 17 2020; viz -0.092%, -0.069% and -0.037% respectively.

## Monthly NITTY Performance

Tenor	Oct 2020 Close	Sept 2020 Close	PPT
1 Month	0.0530%	0.2234%	(0.17)
3 Months	0.0764%	0.2491%	(0.17)
6 Months	0.2125%	0.2906%	(0.08)
12 Months	0.1563%	0.6153%	(0.46)

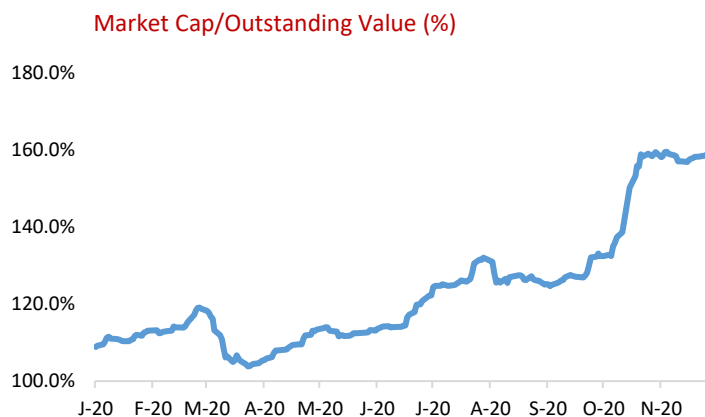
Source: FMDQ, Cowry Research

At the FGN primary market auctions, investors scrambled for relatively higher yields at the longer end of the yield curve; however, stop rates moved in mixed directions. Stop rate for the 15-year bond rose to 5% in November (from 4.97% in October) while stop rate for the 25-year bond fell to 5.79% in November (from 4.97% and 6.00% in October).



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively higher premia in November relative to October as Market Capitalization to outstanding value ratio rose, on average, to 158.12% in November from 147.74% in October.



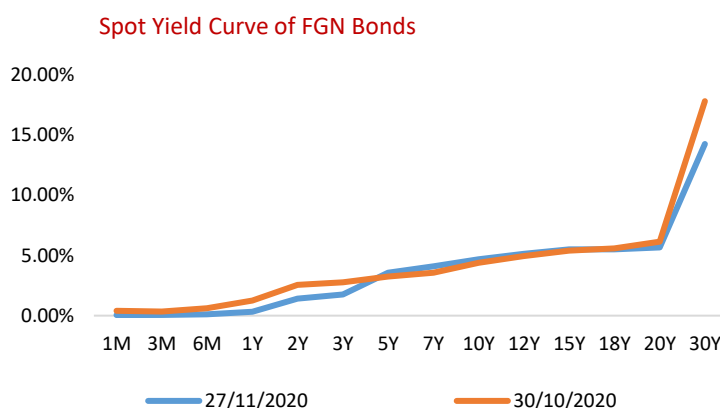
Source: FMDQ, Cowry Research

FGN bond prices moved heterogeneously across the maturities and product variants tracked. The 7-year, 13.53% FGN March 2025 vanilla paper gained N6.31 while the 7-year, 7.62% FGNEUR NOV 2025 Eurobond gained USD7.56. However, the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N1.49 while the 7-Year, 14.50% FGNGB JUN 2026 green bond lost N3.21.

FGN Bonds	30-Nov-20 Price (₦)	M-o-M ₦ Δ	31-Oct-20 Yield	M-o-M PPT Δ
5-Year, 12.75% FGN APR 2023	125.85	1.60	1.73%	(0.90)
7-Year, 13.53% FGN MAR 2025	149.07	6.31	1.68%	(1.38)
10-Year, 16.29% FGN MAR 2027	170.88	(0.25)	3.60%	(0.08)
30-Year, 14.80% FGN APR 2049	202.27	1.18	6.70%	(0.06)
7-Year, 11.20% FGNSK JUN 2027	142.87	(1.49)	3.75%	0.14
7-Year, 14.50% FGNGB JUN 2026	153.17	(3.21)	3.77%	0.37
7-Year, 7.62% FGNEUR NOV 2025	112.51	7.56	4.77%	(1.69)

Source: FMDQ, Cowry Research

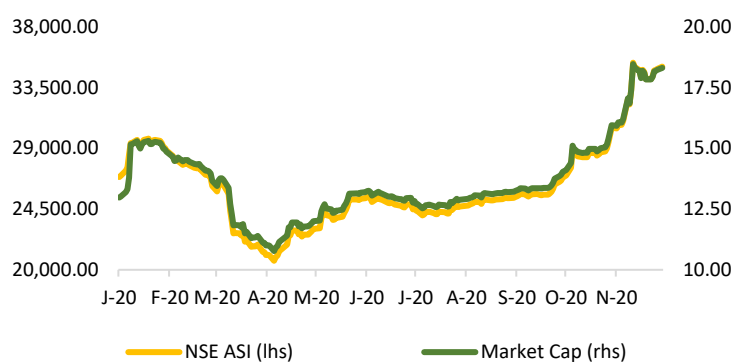
The normal yield curve at the end of November was generally lower than the yield curve as at October 31, 2020 especially at the shorter end, as investors clustered around instruments maturing between 1 month and 3 years. However, the 5-year, 7-year, 10-year, 12-year and 15-year maturities closed with higher yields at the end of November compared to October.



Source: FMDQ, Cowry Research



Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Nov. Close	Oct. Close	%age Δ	YTD %age Δ
NSE ASI	35,042.14	30,530.69	14.8%	30.55%
Market Cap (N trillion)	18.31	15.96	14.7%	41.3%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Nov. Close	Oct. Close	%age Δ	YTD %age Δ
NSE Banking	393.93	372.61	5.7%	10.4%
NSE Insurance	157.95	145.11	8.8%	25.5%
NSE Consumer Goods	579.84	546.09	6.2%	-2.2%
NSE Oil/Gas	216.62	215.33	0.6%	-17.5%
NSE Industrial	1,646.01	1,327.95	24.0%	53.0%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Nov-20	Oct-20	%age Δ
Deals	148,519	106,626	39.3%
Volume (million)	20,207	8,969	125.3%
Value (N million)	147,950	104,500	41.6%

Source: Nigerian Stock Exchange, Cowry Research

The Nigerian stock market rallied strongly in November, mainly due to increased domestic participation amid expectation of positive corporate releases in the Q3 earnings season and thinned-out yields in the fixed income space. The NSE ASI climbed by 14.8% m-o-m to 35,042.14 points while market capitalization rose by 14.7% to N18.31 trillion. Hence, on a year-to-date basis, the NSE ASI gained 30.55% while the market capitalization accelerated by 43.1%.

There were across the board gains as every subsector closed in the positive territory. On a monthly basis, industrial stocks, led by Dangote Cement, gained the most (NSE Industrial Index rose by 24.0%; +53.0% year-to-date) and were followed by Insurance stocks, led by AIICO Insurance, (NSE Insurance Index climbed by 8.8%; +25.5% year-to-date). Consumer goods stocks and banking stocks followed as their respective gauges, the NSE Consumer Goods Index (led by Dangote Sugar Refinery and Northern Nigeria Flour Mills) and NSE Banking Index (led by Unity Bank) gained 6.2% and 5.7% to close at 579.84 points and 393.93 points.

Market activity was also upbeat as total deals, transacted volumes and Naira votes increased by 39.3%, 125.3% and 41.6% to 148,519, 20.21 billion shares and N147.95 billion respectively.



## Top Gainers and Top Losers

Top 10 Gainers	Prices (N)		
	30-Nov-20	31-Oct-20	%age Δ
SYMBOL			
LIVESTOCK	1.3	0.81	60%
BOCGAS	6.77	4.4	54%
UPDCREIT	5.5	3.8	45%
AIRTELAfri	588.5	410.2	43%
DANGSUGAR	19.7	13.8	43%
TRANSCORP	1	0.71	41%
UNITYBNK	0.81	0.58	40%
NNFM	6.93	5.06	37%
TRIPPLEG	0.6	0.46	30%
DANGCEM	205	160	28%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	30-Nov-20	31-Oct-20	%age Δ
SYMBOL			
FTNCOCOA [RST]	0.25	1	-75%
CAVERTON [BLS]	1.72	2	-14%
TRANSEXPR	0.87	1	-13%
ETERNA	4.51	5.15	-12%
CUTIX	1.53	1.73	-12%
GSPECPLC	4.19	4.65	-10%
STANBIC	42.35	46.5	-9%
CHIPLC	0.31	0.34	-9%
UNILEVER	12.95	13.9	-7%

Source: Nigerian Stock Exchange, Cowry Research

## Share Capital Reconstruction

**LASACO Assurance Plc:** LASACO Assurance Plc submitted an application to the NSE for the share capital reconstruction on the basis of one new ordinary share of 50 Kobo each for every four ordinary shares of 50 Kobo each previously held by the existing shareholders.

**Sunu Assurances Plc:** The NSE notified Dealing Members that the full suspension placed on trading in the company's shares was lifted on Tuesday, November 03, 2020 following the completion of the share capital reconstruction. Subsequently, Sunu Assurances' entire issued share capital of 14,000,000,000 ordinary shares of 50 Kobo each prior to the share capital reconstruction was delisted from NSE's Daily Official List, and replaced with the 2,800,000,000 ordinary shares of 50 Kobo each arising from the share capital reconstruction.

## Lifting of Suspension

**FTN Cocoa Processors Plc:** The NSE notified Dealing Members that the suspension placed on trading on the shares of FTN Cocoa Processors Plc was lifted on Friday, November 27, 2020 after the company filed its outstanding financial statements with The Exchange.

## Change of Name

**Omoluabi Mortgage Bank Plc:** The NSE notified Dealing Members that it had implemented the change of name of Omoluabi Mortgage Bank Plc to LivingTrust Mortgage Bank Plc after the company secured the approval of its shareholders at its Annual General Meeting held on 2 July 2020, received a new certificate of incorporation from the Corporate Affairs Commission and got approval of the Central Bank of Nigeria. Consequently, the company's trading symbol was changed from OMOMORBNK to LIVINGTRUST.



## Cowry Monthly Economic Digest: November 2020

IMPORTANT DISCLOSURES: This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.