

Nigerian Bourse Leads the Pack with 50.03% YTD Gain

The global economy continued to expand for the sixth consecutive month in December 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 52.7 points in December, slower than 53.1 points in November.

Nigeria's foreign exchange reserves declined month-on-month by 0.11% to USD35.37 billion at the end of December despite increased crude oil prices over the same period (Bonny Light climbed m-o-m by 9.86% to USD51.27 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 N380.69/USD.

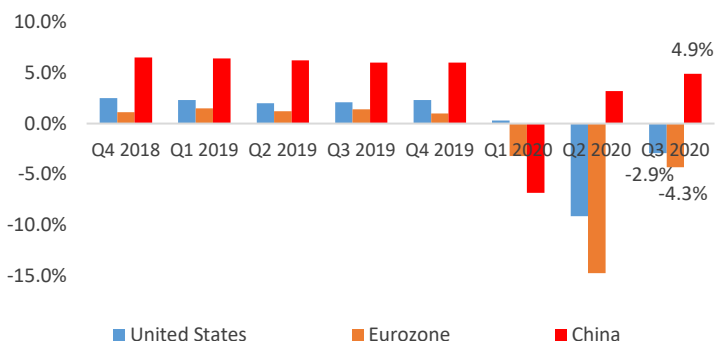
Nigeria's total public debt rose by 17.60% to N32.22 trillion as at September 2020 (from N27.40 trillion as at December 2019). The increase in total debt was chiefly due to a rise in external debt by 35.07% to N12.19 trillion (or USD31.99 billion at N381.00/USD) as at September 2020 from N9.02 trillion (or USD27.68 billion at N326.00/USD) in December 2019 – Nigeria received additional USD3.36 billion from International Monetary Fund (IMF) in Q2 2020 which further increased to USD3.45 billion in Q3 2020. Naira also weakened against USD.

In December, FGN bonds were auctioned at higher stop rates for the 15-year and 25-year maturities as investors continued to push for higher yields. In the secondary market, FGN bonds generally traded at relatively lower premia in December relative to November as Market Capitalization to outstanding value ratio fell, on average, to 148.33% in December from 158.16% in November

The Nigerian stock market witnessed sustained bullish activity in December, as investor confidence waxed stronger amid expectation of improved corporate releases and actions for the FY 2020 earnings season – and thinned-out yields in the fixed income space. Specifically, the NSE ASI climbed by 14.9% m-o-m to 40,270.72 points while market capitalization rose by 15.0% to N21.06 trillion. Hence, on a year-to-date basis, the NSE ASI gained 50.03% while the market capitalization accelerated by 62.5%.

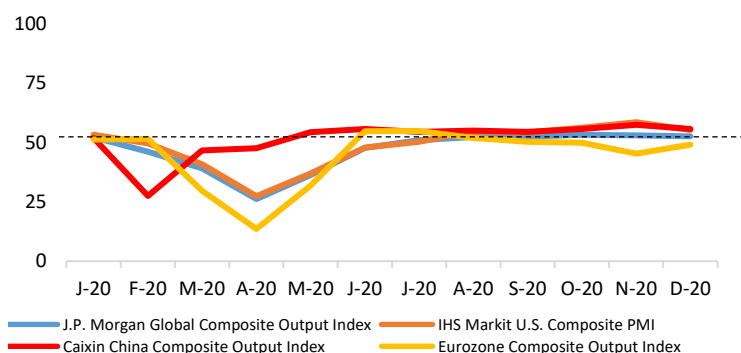
Global Economy

GDP Growth Rates of Major Economies



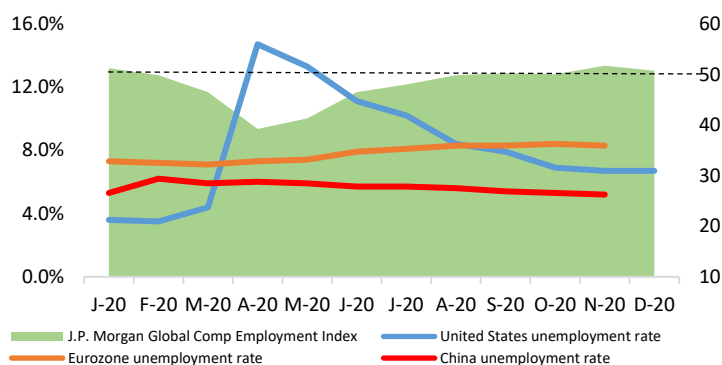
Source: Trading Economics, Cowry Research

PMIs of Major Economies



Source: Markit Economics, Cowry Research

Global Employment Index (rhs) vs Unemployment Rate (lhs)

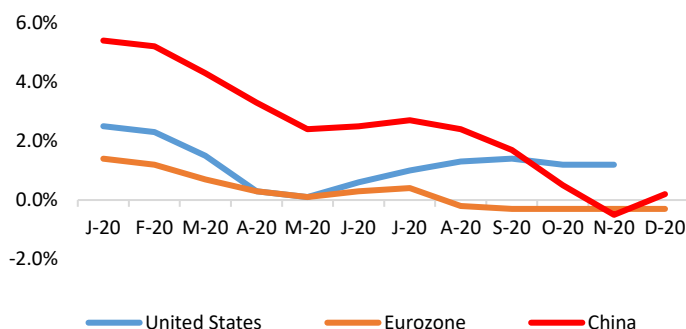


Source: Markit Economics, Trading Economics, Cowry Research

The global economy continued to expand for the sixth consecutive month in December 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 52.7 points in December, slower than 53.1 points in November. The consumer goods, intermediate goods, investment goods and financial services categories recorded expansions; however, consumer services activity fell for the eleventh consecutive month. The US, Germany, Brazil, India and China recorded output expansion. However, the Eurozone and Russia witnessed contraction.

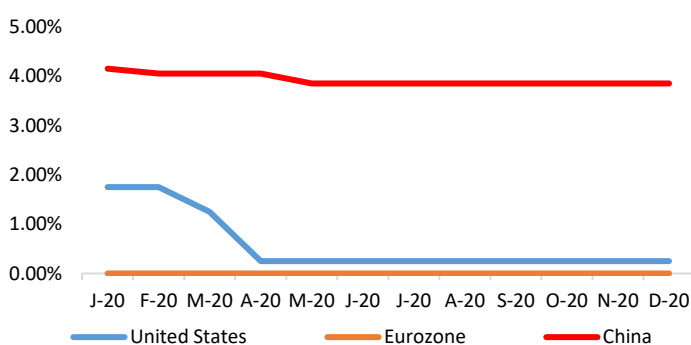
The United States recorded sustained expansion in business activities in both manufacturing and services. IHS Markit U.S. Composite PMI rose to 55.3 points in December, albeit slower than 58.6 points in November as concerns about a second wave of the COVID-19 pandemic dampened demand. China's business expansion was also broad-based as the Caixin Composite Output Index rose to 55.8 points in December from 57.5 points in November amid sustained business confidence and incoming businesses which contributed to steady rise in employment; although export growth remained sluggish. However, the Eurozone remained in contraction territory as IHS Markit Eurozone Composite PMI pointed to 49.1 points in December (albeit better than 45.3 points in November) as the services sector remained a drag on overall performance amid COVID-19-related restrictions which slowed demand. Albeit, countries like Ireland and Germany continued to expand, mainly in the manufacturing sector.

Inflation Rates of Major Economies



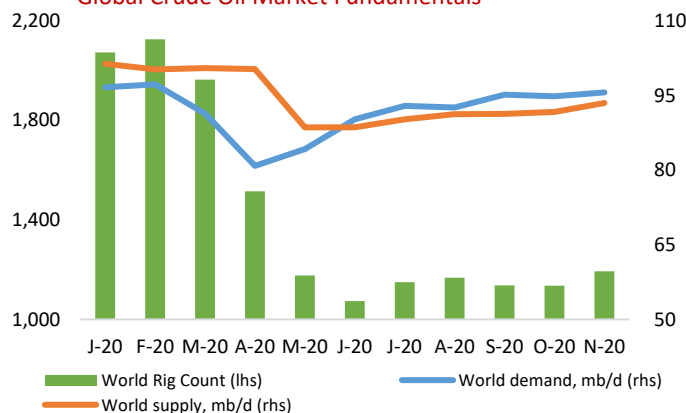
Source: Trading Economics, Cowry Research

Short term Interest Rates of Major Economies



Source: Trading Economics, Cowry Research

Global Crude Oil Market Fundamentals



Source: US Energy Information Administration, Opec, Cowry Research

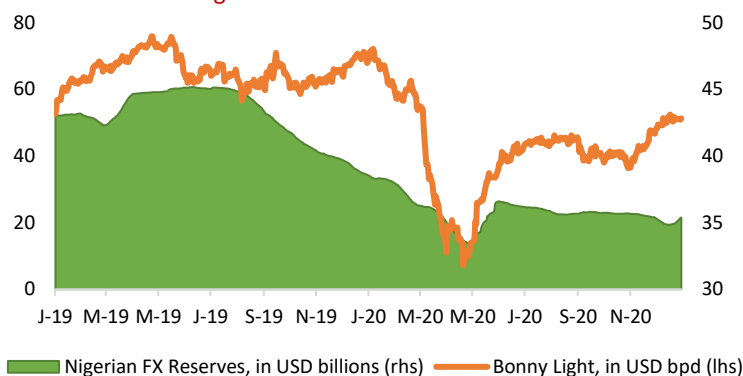
Meanwhile, available data showed that the Euro area recorded an inflation rate of minus 0.3% (a deflation) in December, unchanged from the preceding month. China registered an inflation rate of 0.2% in December (rebounding from a deflation of 0.5% in November) while the United States sustained an inflation rate of 1.2% in November.

Meanwhile, global monetary authorities sustained accommodative stance – as a complement to various fiscal stimulus packages – to increase access to cheaper financing. 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 0.81% to 96 million barrels per day (mbpd) while world crude oil supply rose by a marginal 1.94% to 93 mbpd as at November. In the same vein, world rig count rose by 5.11% to 1,193 as at November, suggestive of improved near-term outlook for crude oil consumption. Global crude oil prices generally rose in the month of December amid stronger demand by refineries, particularly in Asia – Brent crude oil price climbed m-o-m by 7.8% to USD51.63/bbl.

Nigerian Economy

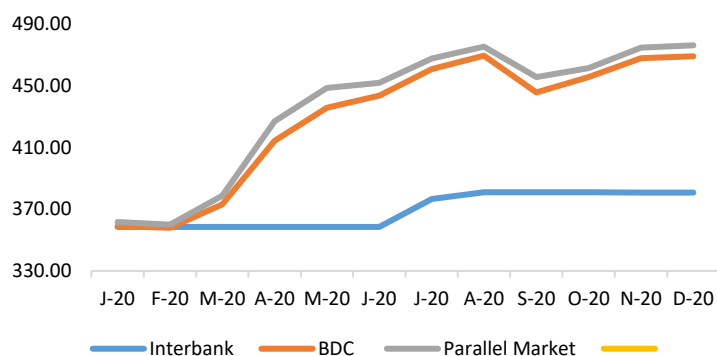
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

Nigeria's foreign exchange reserves declined month-on-month by 0.11% to USD35.37 billion at the end of December despite increased crude oil prices over the same period (Bonny Light climbed m-o-m by 9.86% to USD51.27 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 N380.69/USD.

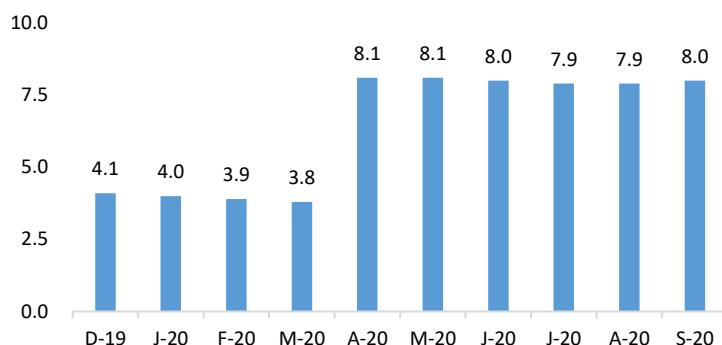
Evolution of Naira/USD Exchange Rates



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)



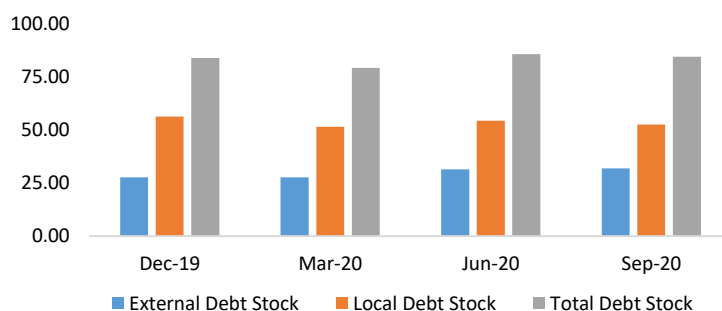
Source: Central Bank of Nigeria Third Quarter 2020 Economic Report, Cowry Research

External Debt to Reserves Ratio

	External Debt (1)	External Reserves (2)	(1) as %age of (2)
Dec-19	27.68	38.60	71.7%
Mar-20	27.67	35.16	78.7%
Jun-20	31.48	36.19	87.0%
Sep-20	31.99	35.75	89.5%

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

National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

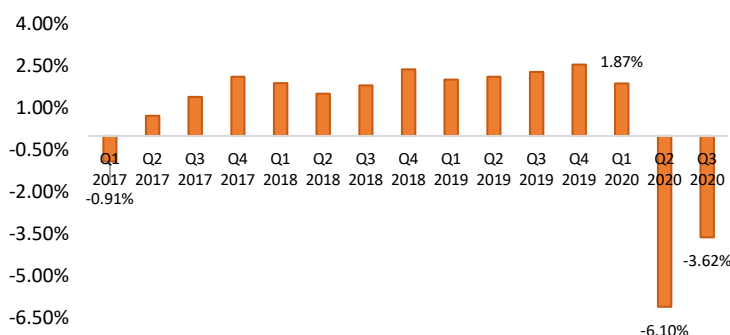
Nigeria's Debt Stock Rises by 17.60% in 9 Months 2020

Nigeria's total public debt rose by 17.60% to N32.22 trillion as at September 2020 (from N27.40 trillion as at December 2019). The increase in total debt was chiefly due to a rise in external debt by 35.07% to N12.19 trillion (or USD31.99 billion at N381.00/USD) as at September 2020 from N9.02 trillion (or USD27.68 billion at N326.00/USD) in December 2019 – Nigeria received additional USD3.36 billion from International Monetary Fund (IMF) in Q2 2020 which further increased to USD3.45 billion in Q3 2020. Naira also weakened against USD.

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.

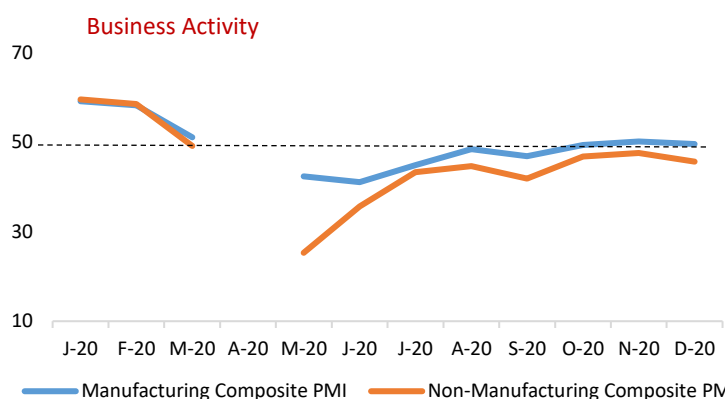
Y-o-Y Real GDP Growth Rates



Source: National Bureau of Statistics, Cowry Research

Economy Slides into Contraction in December

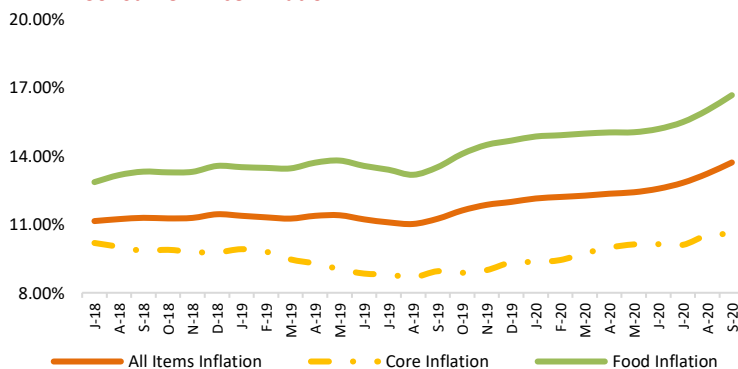
The manufacturing composite PMI rose from contraction to 49.6 index points in December (from 50.2 in November) while the non-manufacturing sector contracted to 45.7 index points in December (faster than 47.6 index points in November) amid lower business activity.



Source: Central Bank of Nigeria, Cowry Research

Annual inflation rate continued to trek northwards, having risen to 14.89% in the month of November (from 14.23% recorded in October).

Consumer Price Inflation

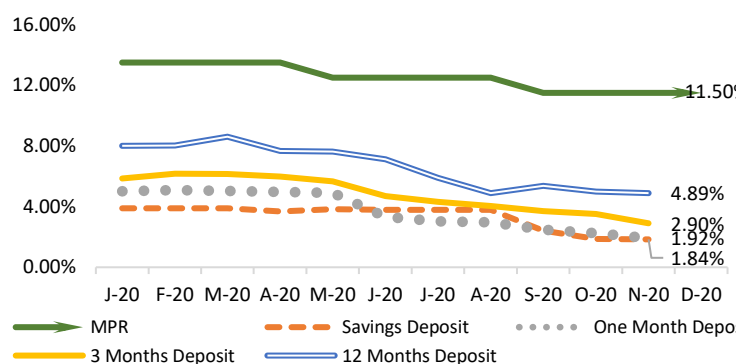


Source: National Bureau of Statistics, Cowry Research

The northward movement in the headline inflation was chiefly driven by rising food inflation to 18.30% (from 17.38% in October). Heightened insecurity in food producing states, higher logistics cost, lingering effects of Covid-19 pandemic and yuletide season demand exacerbated the food inflationary pressures for November.

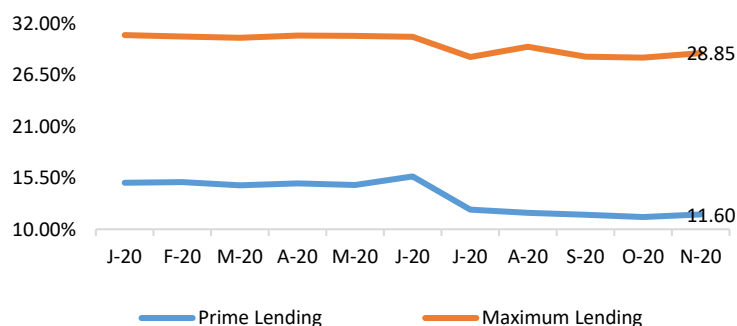
Meanwhile, the Monetary authority retained the Monetary Policy Rate (MPR) at 11.50% and left the asymmetric Corridor at +700bps/-100bps around the MPR in order to allow for time for recent expansionary measures to take effect.

Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

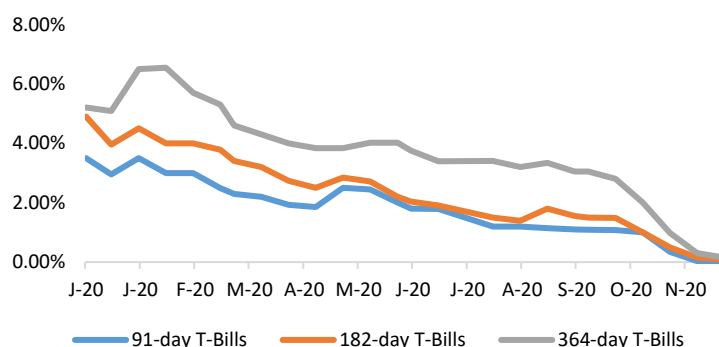
Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

Institutional investors continued to trade relatively safe assets in December, thus keeping short term stop rates low. Stop rate for the 91-day treasury bill moderated to 0.04% (from 0.05% in November). However, stop rate for 182-day bill remained at 0.50% while the stop rate for 364-day bill rose to 1.21% (from 1.14% in November).

Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

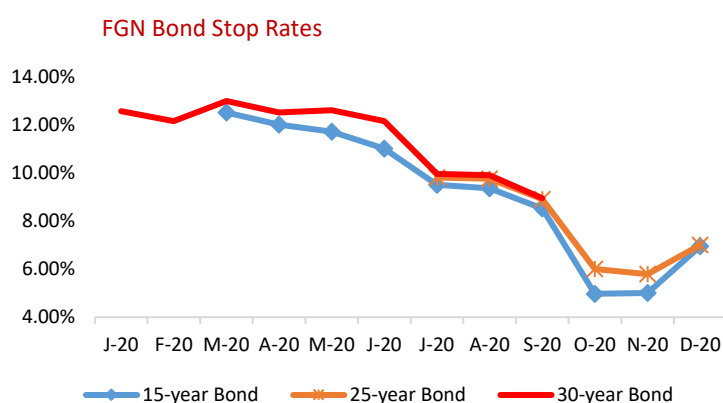
At the secondary market, investors in T-bills were bearish, driving Nigerian Interbank Treasury Bills True Yields (NITTY) northwards – partly in response to the increase in 364-day bills stop rate to 1.21%. Notably, 12 months NITTY spiked by 0.61ppt to 0.76% in December even as NITTY for 1 month, 3 months and 6 months maturities rose by less than 0.30ppt.

Monthly NITTY Performance

Tenor	Nov 2020 Close	Oct 2020 Close	PPT
1 Month	0.3276%	0.0530%	0.27
3 Months	0.3503%	0.0764%	0.27
6 Months	0.4411%	0.2125%	0.23
12 Months	0.7650%	0.1563%	0.61

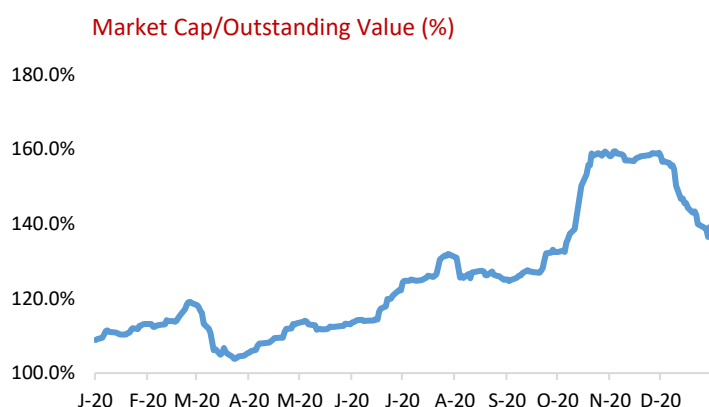
Source: FMDQ, Cowry Research

In December, FGN bonds were auctioned at higher stop rates for the 15-year and 25-year maturities as investors continued to push for higher yields. Stop rate for the 15-year bond rose to 6.95% in December (from 5% in November) while stop rate for the 25-year bond increased to 7% in December (from 5.79% in November).



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively lower premia in December relative to November as Market Capitalization to outstanding value ratio fell, on average, to 148.33% in December from 158.16% in November.



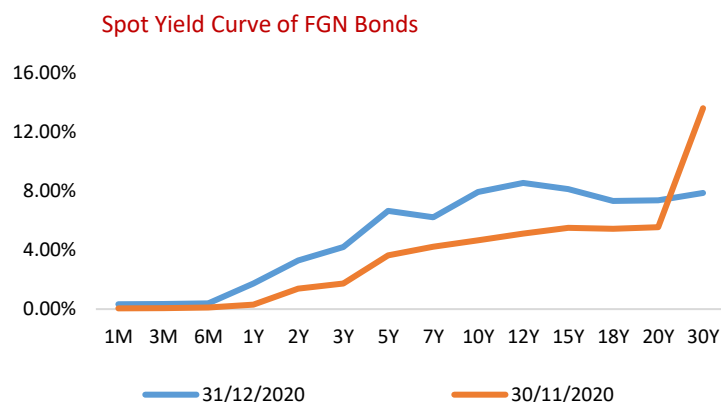
Source: FMDQ, Cowry Research

FGN bond prices declined across the maturities and most product variants tracked. The 7-year, 13.53% FGN March 2025 plain vanilla paper shed N18.92; the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N17.49; while the 7-Year, 14.50% FGNGB JUN 2026 green bond lost N16.47. However, the 7-year, 7.62% FGNEUR NOV 2025 Eurobond gained USD2.22.

	31-Dec-20	M-o-M	30-Nov-20	M-o-M
FGN Bonds	Price (₦)	₦ Δ	Yield	PPT Δ
5-Year, 12.75% FGN APR 2023	120.35	(5.50)	3.54%	1.80
7-Year, 13.53% FGN MAR 2025	130.15	(18.92)	5.44%	3.76
10-Year, 16.29% FGN MAR 2027	149.36	(21.52)	6.50%	2.90
30-Year, 14.80% FGN APR 2049	187.70	(14.57)	7.38%	0.67
7-Year, 11.20% FGNSK JUN 2027	125.38	(17.49)	6.35%	2.60
7-Year, 14.50% FGNGB JUN 2026	136.70	(16.47)	6.41%	2.65
7-Year, 7.62% FGNEUR NOV 2025	114.73	2.22	4.25%	(0.52)

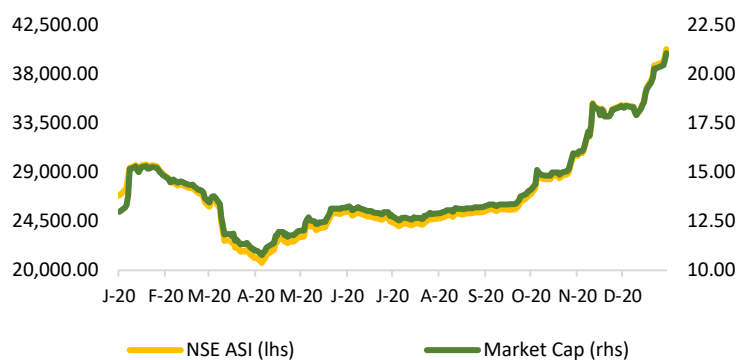
Source: FMDQ, Cowry Research

The normal yield curve at the end of December was generally higher, and looking rather humped, than the yield curve as at November 30, 2020, – especially at the 5-year, 10-year, 12-year and 15-year maturities – amid sell offs as investors sought for higher yields and as stop rates at the primary market became more attractive.



Source: FMDQ, Cowry Research

Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Dec. Close	Nov. Close	%age Δ	YTD %age Δ
NSE ASI	40,270.72	35,042.14	14.9%	50.03%
Market Cap (N trillion)	21.06	18.31	15.0%	62.5%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Dec. Close	Nov. Close	%age Δ	YTD %age Δ
NSE Banking	393.02	393.93	-0.2%	10.1%
NSE Insurance	189.50	157.95	20.0%	50.6%
NSE Consumer Goods	573.35	579.84	-1.1%	-3.3%
NSE Oil/Gas	226.20	216.62	4.4%	-13.8%
NSE Industrial	2,052.33	1,646.01	24.7%	90.8%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Dec-20	Nov-20	%age Δ
Deals	94,857	148,519	-36.1%
Volume (million)	9,980	20,207	-50.6%
Value (N million)	125,440	147,950	-15.2%

Source: Nigerian Stock Exchange, Cowry Research

The Nigerian stock market witnessed sustained bullish activity in December, as investor confidence waxed stronger amid expectation of improved corporate releases and actions for the FY 2020 earnings season – and thinned-out yields in the fixed income space. Specifically, the NSE ASI climbed by 14.9% m-o-m to 40,270.72 points while market capitalization rose by 15.0% to N21.06 trillion. Hence, on a year-to-date basis, the NSE ASI gained 50.03% while the market capitalization accelerated by 62.5%.

Three of the five major subsectors closed in positive territory in the review month. On a monthly basis, industrial stocks, led by BUA Cement and Dangote Cement, gained the most (NSE Industrial Index rose by 24.7%; +90.8% year-to-date) and were followed by insurance stocks, led by Mutual Benefit Assurance, (NSE Insurance Index climbed by 20.0%; +50.6% year-to-date) while oil/gas stocks rebounded by 4.4% (howbeit, NSE Oil/Gas Index was down 13.8% year-to-date).

On the flipside, banking stocks and consumer goods stocks shed weight as their respective gauges, NSE Banking Index (led by Unity Bank) and the NSE Consumer Goods Index (led by International Breweries and Dangote Sugar Refinery) tanked by 0.2% and 1.1% to close at 393.02 points and 573.35 points respectively.

Market activity was also downbeat as total deals, transacted volumes and Naira votes decreased by 36.1%, 50.6% and 15.2% to 94,857, 9.98 billion shares and N125.44 billion respectively.

Top Gainers and Top Losers

Top 10 Gainers	Prices (N)		
	31-Dec-20	30-Nov-20	%age Δ
SYMBOL			
FTNCOCOA [RST]	0.66	0.25	164%
CWG [BLS]	2.54	1.00	154%
JAPAUFGOLD	0.62	0.26	138%
CUTIX	2.30	1.53	50%
AIRTELAfri	851.80	588.50	45%
BOCGAS	9.57	6.77	41%
BUACEMENT	77.35	55.00	41%
OANDO [MRF]	3.70	3.00	23%
DANGCEM	244.90	205.00	19%
CAVERTON [BLS]	2.05	1.72	19%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	31-Dec-20	30-Nov-20	%age Δ
SYMBOL			
MANSARD	1.05	2.40	-56%
NEM	1.79	2.55	-30%
UNITYBNK	0.64	0.81	-21%
TRANSEXPR	0.72	0.87	-17%
INTBREW [BLS]	5.95	7.18	-17%
DEAPCAP [DWL]	0.25	0.30	-17%
OMATEK [DWL]	0.20	0.24	-17%
PRESTIGE [BLS]	0.46	0.55	-16%
DANGSUGAR	17.60	19.70	-11%

Source: Nigerian Stock Exchange, Cowry Research

Proposed Scheme of Arrangement Between UACN Property Development Company Plc and the Owners of its Fully Paid Ordinary Shares of 50 Kobo Each

UACN Property Development Company Plc: The NSE notified Dealing Members that UACN Property Development Company Plc (UPDC or the Company) obtained the approval of the Securities and Exchange Commission for the Scheme of

Arrangement between UACN Property Development Company Plc and the owners of its fully paid ordinary shares of 50 kobo each (the Scheme). The Scheme of Arrangement involved a capital reorganization with the unbundling of a substantial portion of UPDC's interest in the UPDC REIT to all UPDC shareholders. With the unbundling, UPDC's shareholders will have continued exposure to UPDC, in addition to direct access to the returns from UPDC REIT. Under the Scheme, each eligible shareholder will receive Scheme units based on the allocation ratio. Subsequent to the Scheme becoming effective, eligible shareholders will hold shares in UPDC, as well as units in UPDC REIT. The Effective Date for the Scheme was Thursday, 24 December 2020 while the Qualification/Eligibility Date was Monday, 21 December 2020.

Lifting of Suspension

Niger Insurance Plc: The NSE notified Dealing Members that the suspension placed on trading on the shares of Niger Insurance Plc was lifted on Thursday, December 10, 2020 after the company filed its outstanding financial statements with The Exchange.

Change of Name

Japaul Gold & Ventures Plc: The NSE notified Dealing Members that it had implemented the change of name of Japaul Oil & Maritime Services Plc (the Company) to Japaul Gold & Ventures Plc after the company secured the approval of its shareholders at its Annual General Meeting held on July 29, 2020, received a new certificate of incorporation from the Corporate Affairs Commission. Consequently, the company's trading symbol was changed from JAPAUOIL to JAPAUFGOLD.



Cowry Monthly Economic Digest: December 2020

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