

Local Debt Markets See Rising Yields in January

The global economy continued to expand for the seventh consecutive month in January 2021 as output, new orders and employment rates continued to grow; albeit slowly amid fears of a second wave of corona virus which has elicited more lockdowns in some countries. According to J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 52.3 points in January 2021, slower than 52.7 points in December.

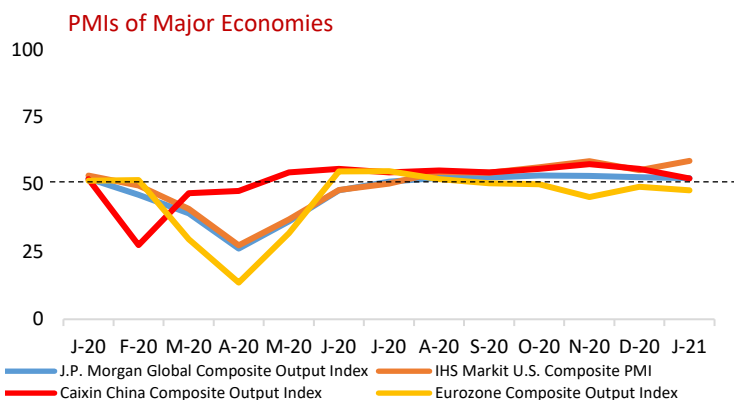
Nigeria's foreign exchange reserves rose m-o-m by 1.84% to USD36.30 billion at the end of January amid increased crude oil prices over the same period (Bonny Light rose m-o-m by 8.86% to USD55.16 a barrel). Consequently, Naira appreciated against the greenback in most forex market segments in January – Naira firmed at the NAFEX and Parallel markets by 0.06% and 0.34% to N393.99/USD and N474.70/USD respectively but was flat at N380.69 at the Interbank FX segment.

In January, FGN bonds were auctioned at higher stop rates for the 10-year, 15-year and 25-year maturities as investors continued to push for higher yields. Stop rates for the 10-year, 15-year and 25-year bonds rose to 7.98% (from 6.00% in December), 8.74% (from 6.95% in November) and 8.95% (from 7.00% in December) respectively.

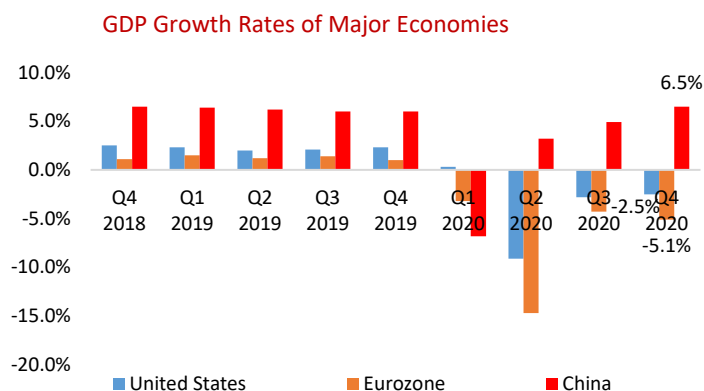
The money market saw interest rate reversals at the primary market T-Bills auctions in January 2021 in response to demands from investors for higher interest rates. Stop rates for the 91-day bills, 182-day bills and 364-day bills increased to 0.55% (from 0.50% in December), 1.30% (from 1.00% in December) and 2.00% (from 1.50% in December) respectively.

The Nigerian stock market started off the year 2021 on a very good note having witnessed sustained bullish activity in January; as investor confidence was sustained amid expectation of improved corporate releases and actions for the FY 2020 earnings season.

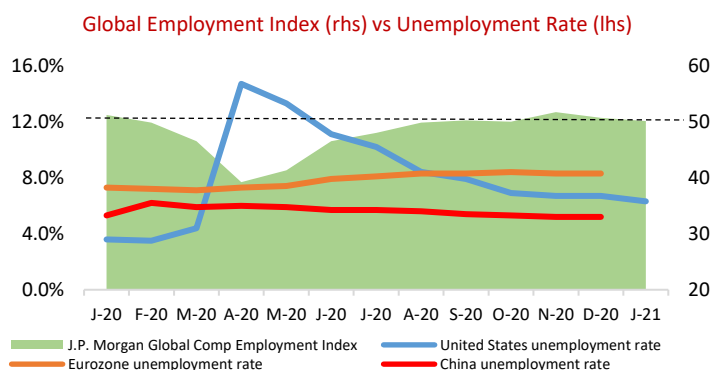
Global Economy



Source: Markit Economics, Cowry Research



Source: Trading Economics, Cowry Research



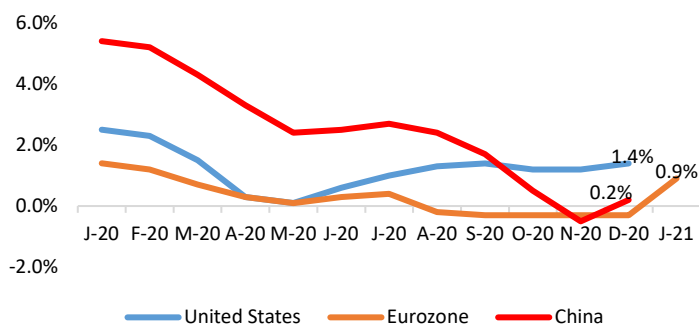
Source: Markit Economics, Trading Economics, Cowry Research

The global economy continued to expand for the seventh consecutive month in January 2021 as output, new orders and employment rates continued to grow; albeit slowly amid fears of a second wave of corona virus which has elicited more lockdowns in some countries. According to J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 52.3 points in January 2021, slower than 52.7 points in December. Manufacturing activity continued to outstrip service sector business activity. The consumer goods, investment goods and financial services recorded expansions; however, consumer services activity fell for the twelfth consecutive month.

Meanwhile, latest real GDP data from major economic regions showed mixed performances. The Chinese economy extended to real output growth for the third consecutive quarter to 6.5% in Q4 2020 (better than 4.9% in Q3 2020). However, the United States and Euro area witnessed sustained contraction as they registered declines of 2.5% and 5.1% respectively; the former recording an improvement from -2.8% in Q3 2020 and latter registering a deeper decline than -4.3% in the preceding quarter.

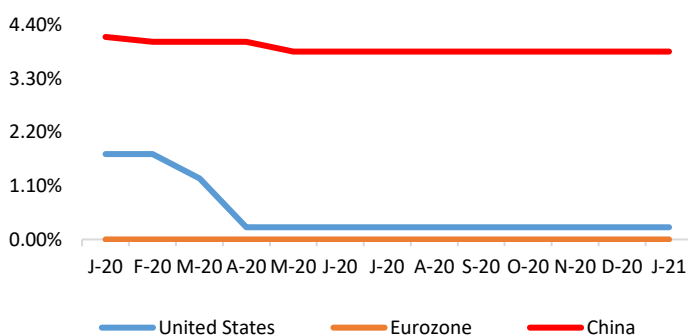
With regard to jobs, the J.P. Morgan Global Composite Employment Index pointed to 50.1 points in January (slower than 50.7 points in December 2020). The United States reported a lower unemployment rate of 6.3% in January 2021 relative to 6.7% in the preceding month as more states appear to be reopening for business. However, latest data show that China and the Eurozone recorded flattish unemployment rates of 5.2% and 8.3% respectively in December 2020.

Inflation Rates of Major Economies



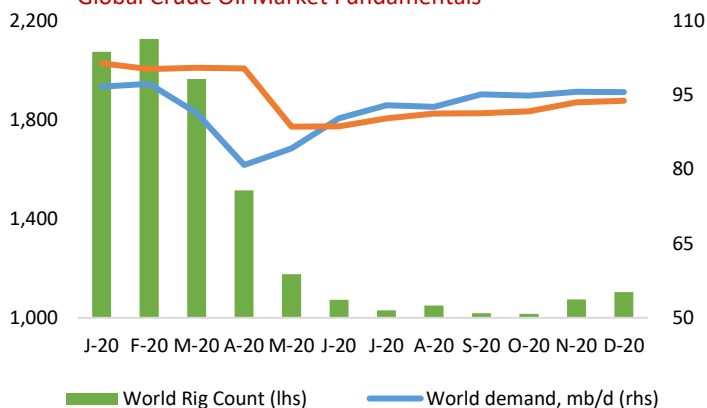
Source: Trading Economics, Cowry Research

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

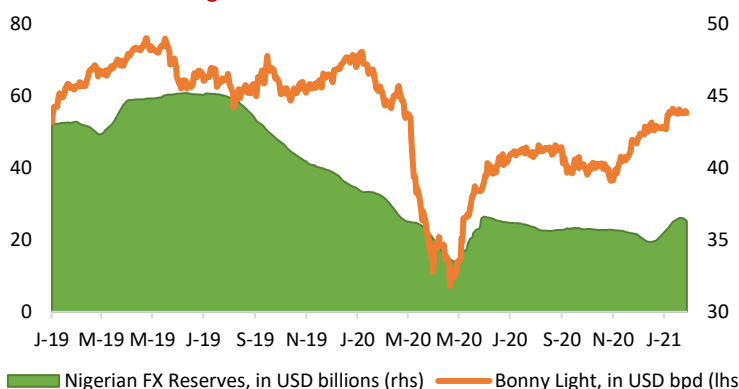
Available data also showed that the Euro area recorded an inflation rate of 0.9% in January 2021 (from a deflation of 0.3% in December), according to a flash estimate, amid rise in prices of food, alcohol & tobacco prices and non-energy industrial goods. Fees for services also rebounded from deflation territory.

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 showed that world crude oil consumption softened m-o-m by 0.04% to 96.55 million barrels per day (mbpd) while world crude oil supply rose by 0.40% to 93.82 mbpd as at December 3030. Meanwhile, world rig count rose by 2.79% to 1,104 as at December, 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 spot price climbed m-o-m by 17.1% to average USD49.99 a barrel in January 2021.

Nigerian Economy

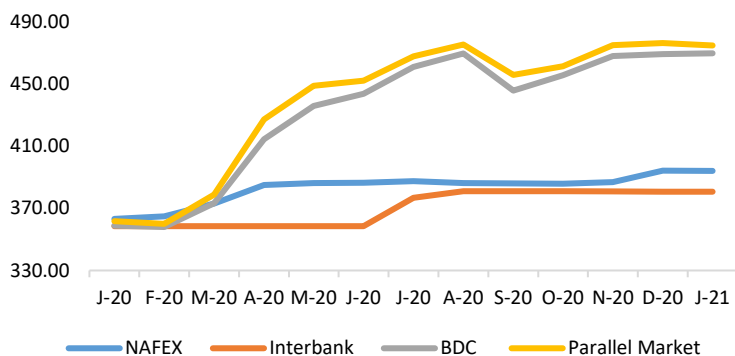
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

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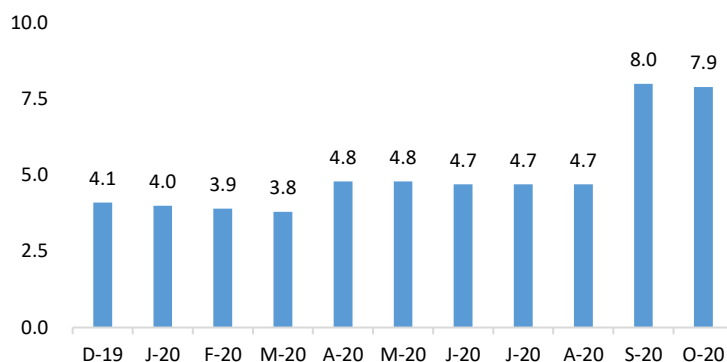
Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

Latest data showed that goods and services import cover moderated to 7.9 months in October from 8.0 months in September. However, external debt to external reserves ratio rose to 89.5% as at September from 87.0% as at June.

Goods and Services Import Cover (months)



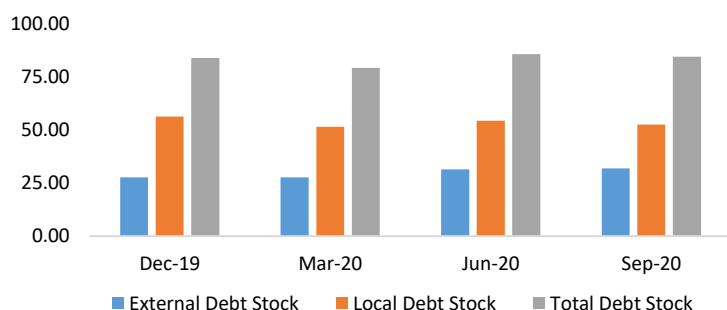
Source: Central Bank of Nigeria Economic Report, Cowry Research

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

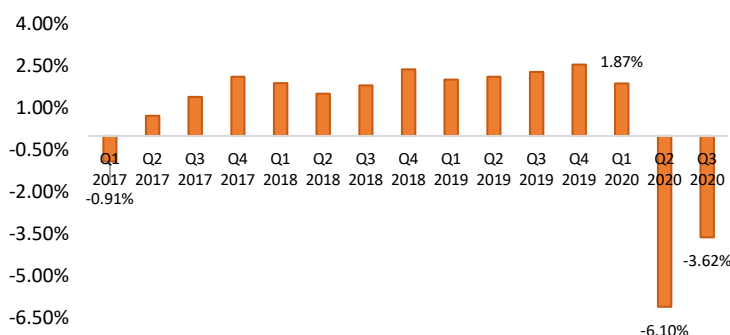
Nigeria's Debt Stock Rises by 17.60% in 9 Months 2020

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.

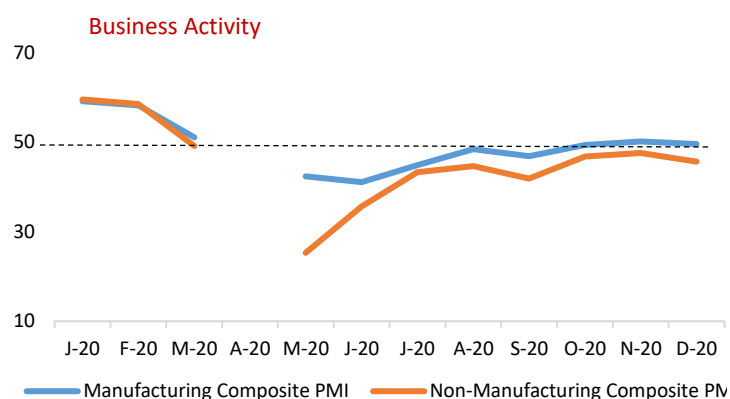
Y-o-Y Real GDP Growth Rates



Source: National Bureau of Statistics, Cowry Research

Economy Slides into Contraction in December

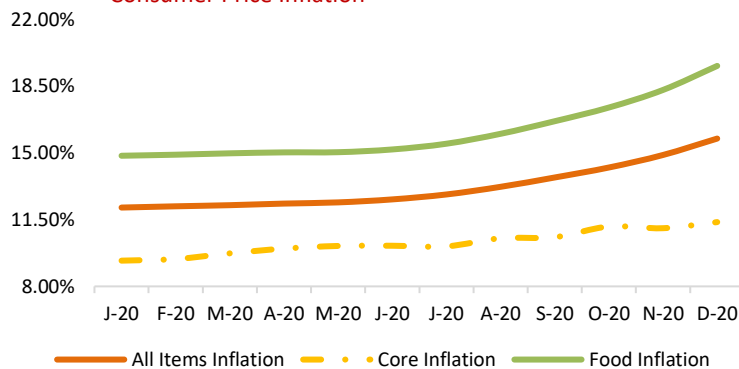
The manufacturing composite PMI rose from contraction to 49.6 index points in December (from 50.2 in November) while the non-manufacturing sector contracted to 45.7 index points in December (faster than 47.6 index points in November) amid lower business activity.



Source: Central Bank of Nigeria, Cowry Research

Annual inflation rate continued to trek northwards, having risen to 15.75% in the month of December (from 14.89% recorded in November).

Consumer Price Inflation

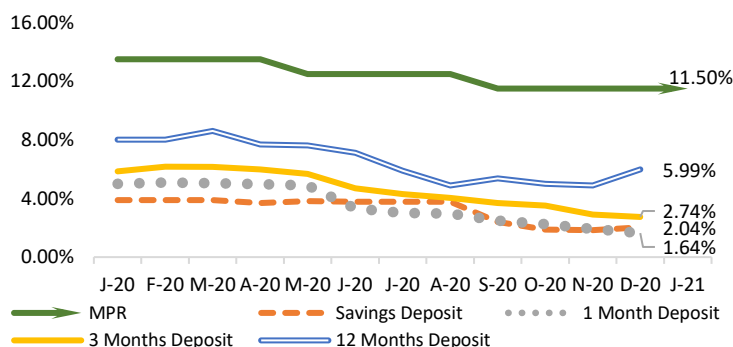


Source: National Bureau of Statistics, Cowry Research

The higher headline inflation was driven by a rise in food inflation to 19.56% (from 18.30% in November) as heightened insecurity and higher logistics cost impacted food prices. Also, core inflation rose to 11.37% (from 11.05% in November) amid rise in costs of passenger air transport, medical & hospital services and pharmaceutical products amongst others.

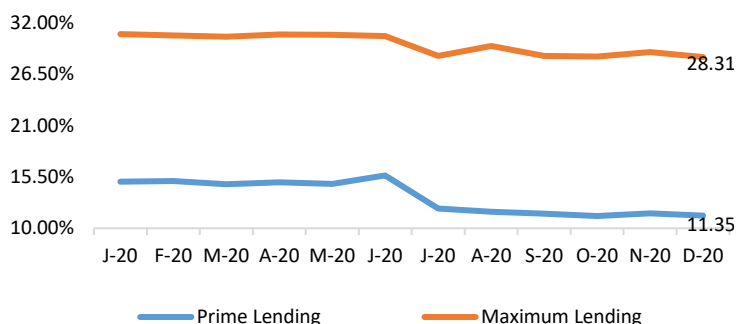
Meanwhile, the Monetary authority retained the Monetary Policy Rate (MPR) at 11.50% and left the asymmetric Corridor at +700bps/-100bps around the MPR in order to allow for time for recent expansionary measures to take effect.

Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

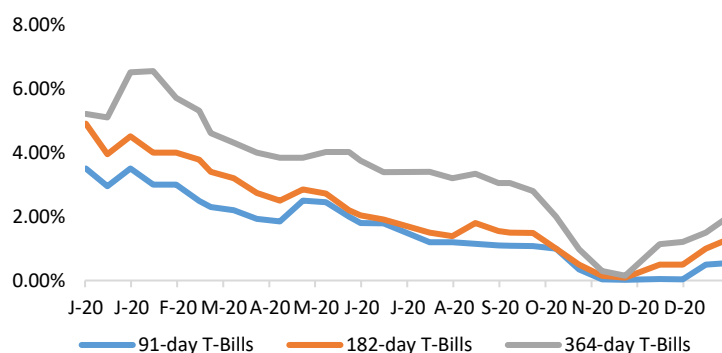
Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

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Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

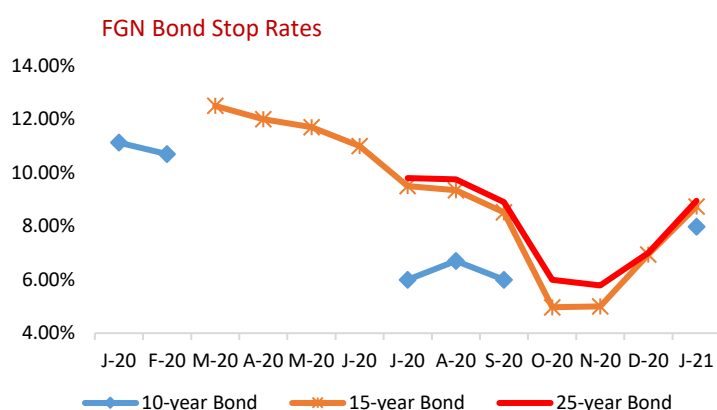
At the secondary market, investors in T-bills were bearish, driving Nigerian Interbank Treasury Bills True Yields (NITTY) northwards – amid increase in stop rates. Notably, 12 months and 6 months NITTY spiked by 0.50ppt each to 1.27% and 0.93% respectively in January even as NITTY for 1 month and 3 months maturities rose to 0.41% and 0.43% respectively.

Monthly NITTY Performance

Tenor	Jan 2021 Close	Dec 2020 Close	PPT
1 Month	0.4126%	0.3276%	0.09
3 Months	0.4330%	0.3503%	0.08
6 Months	0.9345%	0.4411%	0.49
12 Months	1.2679%	0.7650%	0.50

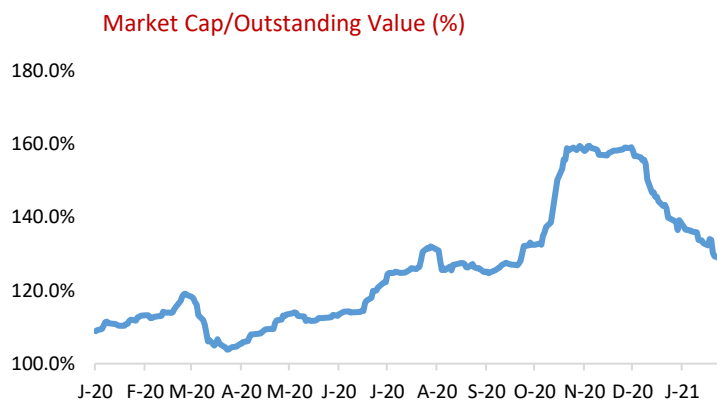
Source: FMDQ, Cowry Research

In January, FGN bonds were auctioned at higher stop rates for the 10-year, 15-year and 25-year maturities as investors continued to push for higher yields. Stop rates for the 10-year, 15-year and 25-year bonds rose to 7.98% (from 6.00% in December), 8.74% (from 6.95% in November) and 8.95% (from 7.00% in December) respectively.



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively lower premia in January relative to December as Market Capitalization to outstanding value ratio fell, on average, to 132.36% in January from 148.33% in December.



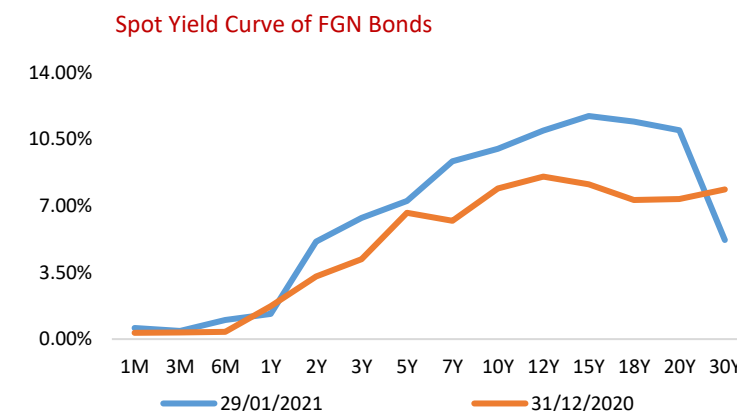
Source: FMDQ, Cowry Research

FGN bond prices declined across the maturities and most product variants tracked. The 7-year, 13.53% FGN March 2025 plain vanilla paper shed N5.68; the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N12.46; the 7-Year, 14.50% FGNGB JUN 2026 green bond lost N6.34 while the 7-year, 7.62% FGNEUR NOV 2025 Eurobond tanked by USD0.13.

	29-Jan-21	M-o-M	31-Dec-20	M-o-M
FGN Bonds	Price (₦)	₦ Δ	Yield	PPT Δ
5-Year, 12.75% FGN APR 2023	114.17	(6.18)	5.90%	2.36
7-Year, 13.53% FGN MAR 2025	124.47	(5.68)	6.67%	1.23
10-Year, 16.29% FGN MAR 2027	136.58	(12.78)	8.50%	2.01
30-Year, 14.80% FGN APR 2049	138.93	(48.77)	10.48%	3.10
7-Year, 11.20% FGNSK JUN 2027	112.92	(12.46)	8.53%	2.18
7-Year, 14.50% FGNGB JUN 2026	130.36	(6.34)	7.52%	1.11
7-Year, 7.62% FGNEUR NOV 2025	114.60	(0.13)	4.23%	(0.02)

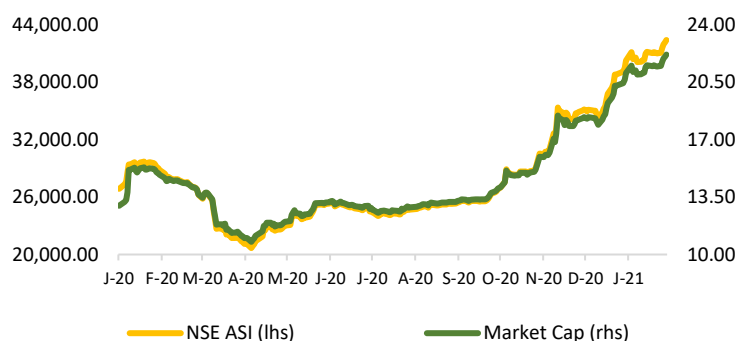
Source: FMDQ, Cowry Research

The normal yield curve at the end of January 2021 was mostly higher, and looking rather humped, than the yield curve as at the end of December 2020, – especially from the 2-year to 20-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	Jan. Close	Dec. Close	%age Δ	YTD %age Δ
NSE ASI	42,412.66	40,270.72	5.3%	5.3%
Market Cap (N trillion)	22.19	21.06	5.4%	5.4%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Jan. Close	Dec. Close	%age Δ	YTD %age Δ
NSE Banking	424.04	393.02	7.9%	7.9%
NSE Insurance	245.91	189.50	29.8%	29.8%
NSE Consumer Goods	613.69	573.35	7.0%	7.0%
NSE Oil/Gas	254.31	226.20	12.4%	12.4%
NSE Industrial	2,081.37	2,052.33	1.4%	1.4%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Jan-21	Dec-20	%age Δ
Deals	121,450	94,857	28.0%
Volume (million)	13,699	9,980	37.3%
Value (N million)	106,466	125,440	-15.1%

Source: Nigerian Stock Exchange, Cowry Research

The Nigerian stock market started off the year 2021 on a very good note having witnessed sustained bullish activity in January; as investor confidence was sustained amid expectation of improved corporate releases and actions for the FY 2020 earnings season. Specifically, the NSE ASI increased by 5.3% m-o-m to 42,412.66 points while market capitalization rose by 5.3% to N22.19 trillion. This was amid bearish activity in the fixed income space that led to sustained rise in yields, in part, as fixed income investors sought higher interest rates, particularly at the primary market auctions.

All of the five major subsectors closed in positive territory in the review month. On a monthly basis, Insurance stocks, led by Linkage Assurance, Mutual Benefits Assurance and Regency Alliance Insurance, gained the most (NSE Insurance Index rose by 29.8%) and were followed by oil and gas stocks, led by Seplat and Total Nigeria, (NSE Oil/Gas Index climbed by 12.4%) while banking stocks rose on the backs of Union Bank, Access Bank and Zenith Bank which gained 14%, 10% and 10% respectively (NSE Banking Index was up 7.9%).

Furthermore, consumer goods stocks industrial stocks closed higher as their respective gauges, NSE Consumer Goods Index (led by Champion Breweries and Northern Nigeria Flour Mills) and the NSE Industrial Index (led by Lafarge Africa) rose by 7% and 1.4% respectively.

Market activity was mixed – total deals and transacted volumes rose by 28.0% and 37.3% to 121,450 deals and 13.699 billion shares respectively; however, Naira votes decreased by 15.1% to N106.47 billion.

Top Gainers and Top Losers

Top 10 Gainers	Prices (N)		
	29-Jan-21	31-Dec-20	%age Δ
SYMBOL			
CHAMPION [BLS]	3.11	0.86	262%
LIVESTOCK	2.58	1.39	86%
LINKASSURE	0.90	0.52	73%
MBENEFIT	0.43	0.27	59%
NCR	3.12	1.96	59%
BOCGAS	15.12	9.57	58%
REGALINS	0.34	0.22	55%
ROYALEX	0.40	0.26	54%
JAPAUFGOLD	0.91	0.62	47%
NNFM	9.68	6.74	44%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	29-Jan-21	31-Dec-20	%age Δ
SYMBOL			
FTNCOCOA [RST]	0.55	0.66	-17%
JOHNHOLT	0.47	0.56	-16%
OANDO [MRF]	3.28	3.70	-11%
MRS	12.30	13.75	-11%
TRANSCO HOT [BLS]	3.60	4.00	-10%
DAARCOMM	0.27	0.30	-10%
ABCTRANS	0.35	0.38	-8%
DANGCEM	236.00	244.90	-4%
NEIMETH	2.15	2.23	-4%

Source: Nigerian Stock Exchange, Cowry Research

Proposed Rights Issue

Abbey Mortgage Bank Plc: The NSE notified Dealing Members that Abbey Mortgage Bank Plc's Rights Issue of 3,692,307,691 ordinary shares of 50 Kobo each at 82 Kobo per share on the basis of four (4) new ordinary shares for every seven (7) ordinary shares held as at 8 October 2020, was opened for

subscription on Monday, 4 January 2021 and will be ending on Thursday, 11 February 2021.

Trading Suspension

Thomas Wyatt Nigeria Plc: The NSE notified Dealing Members that, pursuant to Rule 3.1, Rules for Filing of Accounts and Treatment of Default Filing, ("Default Filing Rules"), shares of Thomas Wyatt Nigeria Plc was suspended from trading via the facilities of The Exchange on Wednesday, 6 January 2021 having failed to file its Audited Financial Statements for the year ended 31 March 2020.

Additional Listing

Transcorp Hotel Plc: The NSE notified Dealing Members that 2,642,124,511 ordinary shares of Transcorp Hotel Plc were listed on the Daily Official List of The Nigerian Stock Exchange on Monday, 18 January 2021. The additional shares arose from the Company's Rights Issue of 2,659,574,468 ordinary shares of 50 kobo each at N3.76 Kobo per share on the basis of seven new ordinary shares for every twenty ordinary shares held as at Monday, 13 July 2020. The Rights Issue was 99.34% subscribed. Following the additional listing of the ordinary shares, the total issued and fully paid-up shares of Transcorp Hotel Plc increased from 7,600,403,900 to 10,242,528,411 ordinary shares of 50 kobo each.



Cowry Monthly Economic Digest: January 2021

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