

## With Rising Inflationary Pressure, Bears Rule Local Bourse in March

*The global economy continued in expansion territory for the ninth consecutive month in March 2021 as output and new business orders continued to grow; notably, new export orders index expanded to 52.4 points (from 50.2 points in February) while input cost index spiked to 61.6 points (from 59.9 points). This increased cost was partly borne by consumers as output price index rose to 55.9 from 54.0. With regard to jobs, the J.P. Morgan Global Composite Employment Index expanded to 51.6 points in March (from 50.1 points in February) amid improved business confidence at both manufacturers and service providers.*

*In the global energy market, latest statistics from the U.S. Energy Information Administration showed that world crude oil consumption rebounded m-o-m by 2.35% to 95.89 million barrels per day (mbpd) while world crude oil supply shrank 1.96% to 92.17 mbpd as at February 2021. Meanwhile, world rig count rose by 7.35% to 1,270 as at February (although it fell to 1,231 in March amid COVID-19 scare). Amid relatively stronger crude oil market fundamentals, global crude oil prices generally rose in the month of March – brent crude oil spot price rose m-o-m, on average, by 5.34% to USD65.61 a barrel in March 2021.*

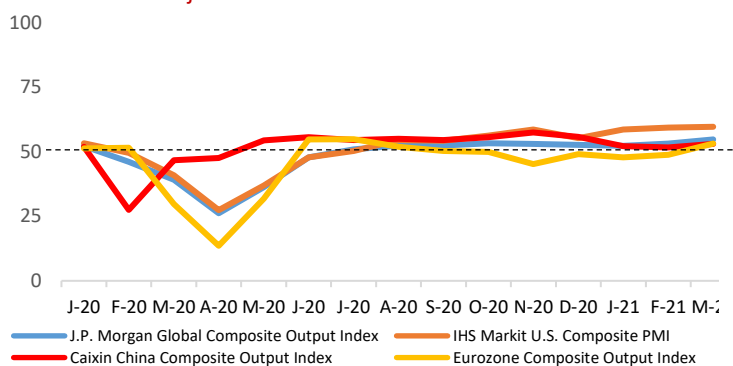
*Nigeria's business activity remained in expansion territory as the IHS Markit-Stanbic IBTC headline PMI rose faster to 52.9 points in March (from 52.0 points in February). New orders and output expanded, egging greater staffing and reducing backlogs. Raw materials shortage also drove input costs higher.*

*Meanwhile, annual inflation (consumer price) rate continued to trek northwards, having risen to 17.33% in the month of February (from 16.47% recorded in January). The increase in inflation rate was caused by broad-based price increases in the food and non-food categories, albeit food prices continued to exert greater pressure. Exchange rate pressure, increase in energy prices, insecurity in the food producing parts of the country and a weaker harvest season continued to be the major drivers of inflation.*

*The normal yield curve at the end of March was relatively higher than the yield curve as at the end of February, – especially at the short end, as stop rates at the primary market trended higher (bearish flattening) – as inflationary pressure increased and foreign exchange rate pressure was sustained.*

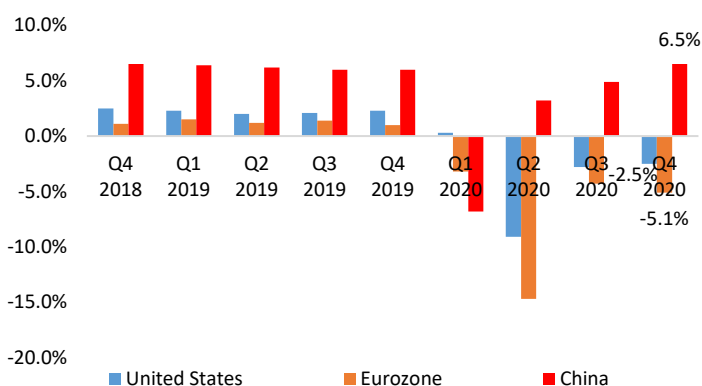
## Global Economy

PMIs of Major Economies



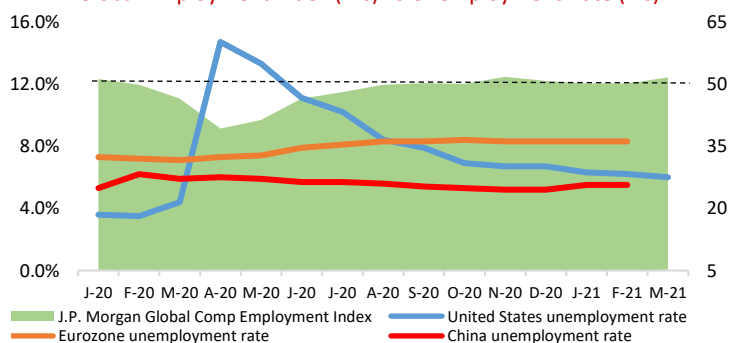
Source: Markit Economics, Cowry Research

GDP Growth Rates of Major Economies



Source: Trading Economics, Cowry Research

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



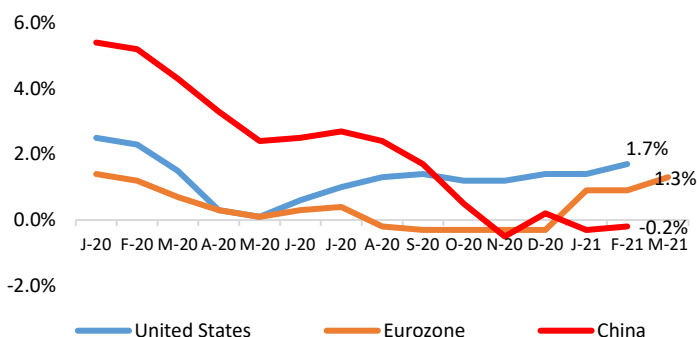
Source: Markit Economics, Trading Economics, Cowry Research

The global economy continued in expansion territory for the ninth consecutive month in March 2021 as output and new business orders continued to grow; notably, new export orders index expanded to 52.4 points (from 50.2 points in February) while input cost index spiked to 61.6 points (from 59.9 points). This increased cost was partly borne by consumers as output price index rose to 55.9 from 54.0. Expansion in business activity was partly spurred by increased rollout of Coronavirus vaccines which allowed for an easing of lockdowns in several countries. According to the J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 54.8 points in March 2021, faster than 53.2 points in February 2021. Expansions in investment goods, intermediate goods and consumer goods industries helped increase overall manufacturing sector output level. In the services sector, expansions in financial services and business services were partly offset by sustained contraction in consumer services.

The United States registered accelerated output expansion to 59.7 points in March (from 59.5 in February), the Eurozone rebounded to 53.2 in March (from 48.8 in February) while China's output expansion sped to 53.1 points in March (from 51.7 points in February).

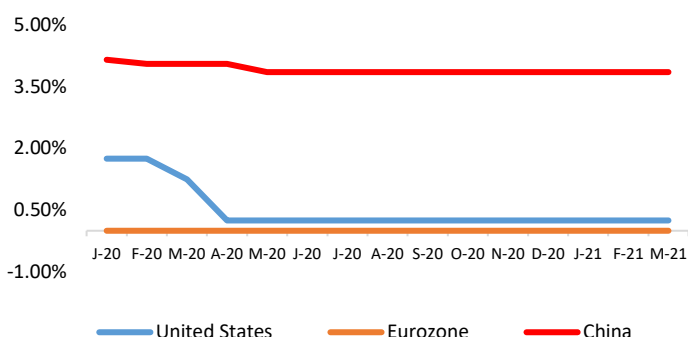
With regard to jobs, the J.P. Morgan Global Composite Employment Index expanded to 51.6 points in March (from 50.1 points in February) amid improved business confidence at both manufacturers and service providers. Job creation was seen in the US, China, Japan, Germany, the UK, France, Italy, Russia, Australia and Ireland.

## Inflation Rates of Major Economies



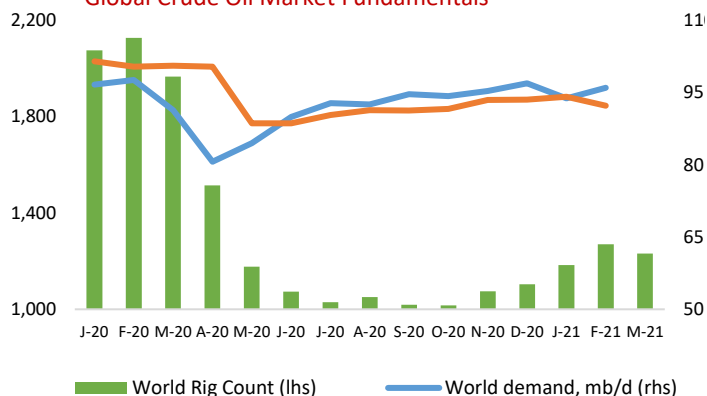
Source: Trading Economics, Cowry Research

## Key Short term Interest Rates of Major Economies



Source: Trading Economics, Cowry Research

## Global Crude Oil Market Fundamentals



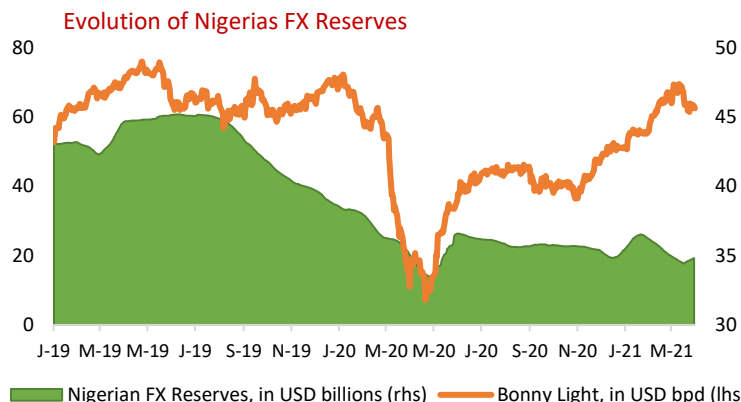
Source: US Energy Information Administration, Opec, Cowry Research

Inflation rates in major economies generally tilted upwards on account of increased consumer and business confidence.

In the United States, while authorities sustained their accommodative monetary policy stance, as well as fiscal stimuli, the threat of inflation arising from such expansionary policies resulted in higher yields on government debt securities. The US 10-year bond yield climbed to 1.75% at the end of March (from 1.46% at the end of February), although the 1-year Treasury Bill yield fell to 0.06% at the end of March (from 0.08% at the end of February). In other climes, yields declined as investors gravitated towards safe assets amid uncertainty over COVID-19. In Germany, although Inflation climbed to 1.70% in March (from 1.30% in February); 1-year and 10-year bond yields fell to -0.65% and -0.29% respectively at the end of March (from -0.61% and -0.26% respectively at the end of February). Similarly, China's 10-year bond yield fell to 3.23% from 3.32% over the same period while its 1-year bond yield fell to 2.54% from 2.70% having recorded a deflation rate of 0.2% in February (-0.3% in January).

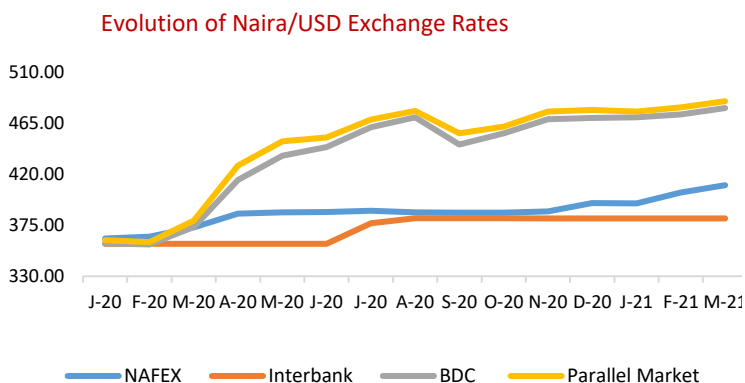
In the global energy market, latest statistics from the U.S. Energy Information Administration showed that world crude oil consumption rebounded m-o-m by 2.35% to 95.89 million barrels per day (mbpd) while world crude oil supply shrank 1.96% to 92.17 mbpd as at February 2021. Meanwhile, world rig count rose by 7.35% to 1,270 as at February (although it fell to 1,231 in March amid COVID-19 scare). Amid relatively stronger crude oil market fundamentals, global crude oil prices generally rose in the month of March – Brent crude oil spot price rose m-o-m, on average, by 5.34% to USD65.61 a barrel in March 2021.

## Nigerian Economy



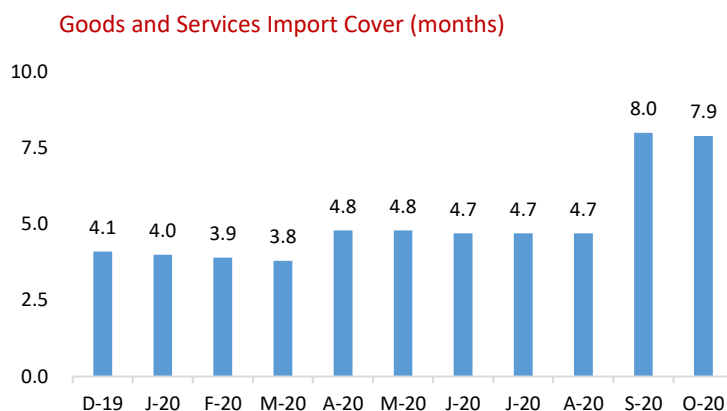
Source: Central Bank of Nigeria, Cowry Research

Nigeria's foreign exchange reserves fell m-o-m by 0.8% to USD34.82 billion at the end of March as crude oil prices moderated over the same period (Bonny Light fell m-o-m by 5.0% to USD62.98 a barrel) amid renewed COVID-19 scare. Consequently, Naira depreciated against the greenback in most forex market segments in March – Naira weakened at the NAFEX, BDC and Parallel markets by 1.59%, 1.18% and 1.15% to N410.05/USD, N477.83USD and N483.83/USD respectively but was flat at N380.69 at the Interbank FX segment.



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.



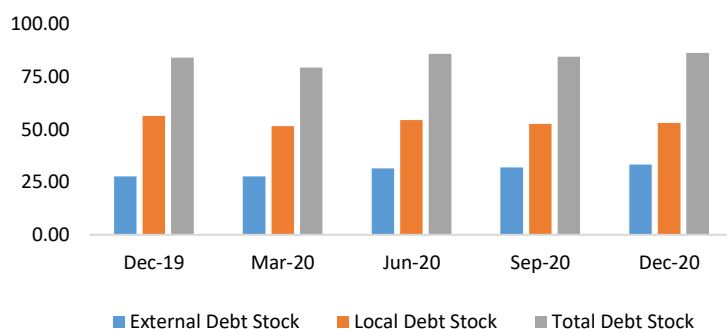
Source: Central Bank of Nigeria Economic Report, Cowry Research

## External Debt to Reserves Ratio

	External Debt (1)	External Reserves (2)	(1) as %age of (2)
Mar-20	27.67	35.16	78.7%
Jun-20	31.48	36.19	87.0%
Sep-20	31.99	35.75	89.5%
Dec-20	33.35	34.82	95.8%

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

## National Debt Stock (USD Bn)



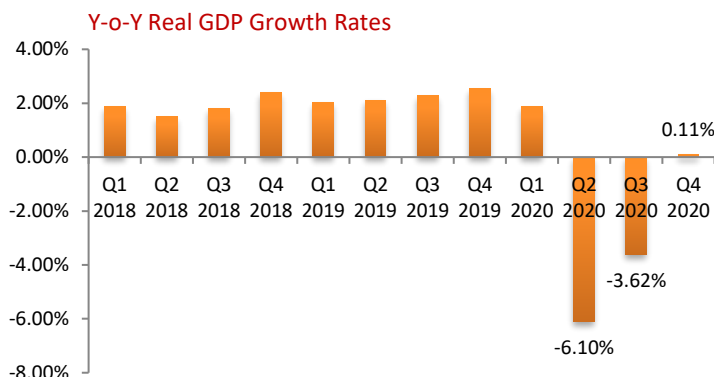
Source: Debt Management Office, Cowry Research

## Nigeria's Debt Rises to N32.92 Trn in FY 2020 on Foreign Debt

Nigeria's total public debt stock surged by 20.12% to N32.92 trillion as at December 2020 (from N27.40 trillion as at December 2019). The increase in the country's total debt stock was chiefly due to a 40.82% rise in external debt to N12.71 trillion (or USD33.35 billion at N381.00/USD) as at December 2020 from N9.02 trillion (or USD27.68 billion at N326.00/USD) in December 2019 – essentially multilaterals. However, implicit interest rate on total borrowings fell to 7.41% in 2020 amid increased concessionary loans (especially from IMF and AfDB) and low domestic interest rate environment in 2020.

## Nigerian Economy Exits Recession in Q4 2020

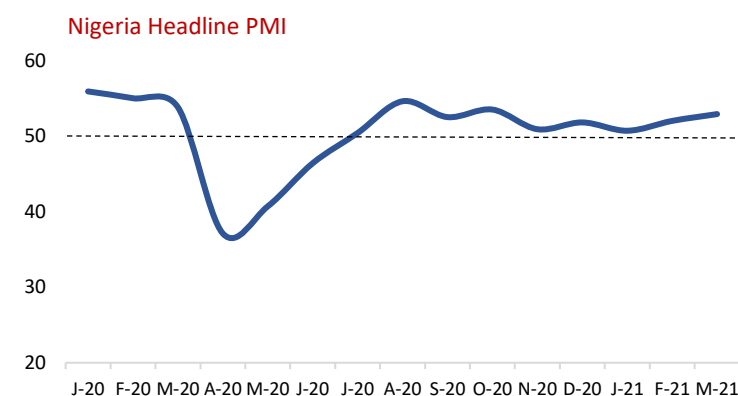
Nigeria's real Gross Domestic Product expanded y-o-y by 0.11% to N19.55 trillion in Q4 2020 (or USD122.44 billion) as households and businesses resumed economic activities amid economic stimulus packages provided by the monetary and fiscal authorities. The non-oil sector rose y-o-y by 1.69%; however, the oil & gas sector fell y-o-y by 19.76% as average daily oil production fell q-o-q by 6.6% to 1.56 million barrels per day (mbpd) amid production cuts imposed by Opec+.



Source: National Bureau of Statistics, Cowry Research

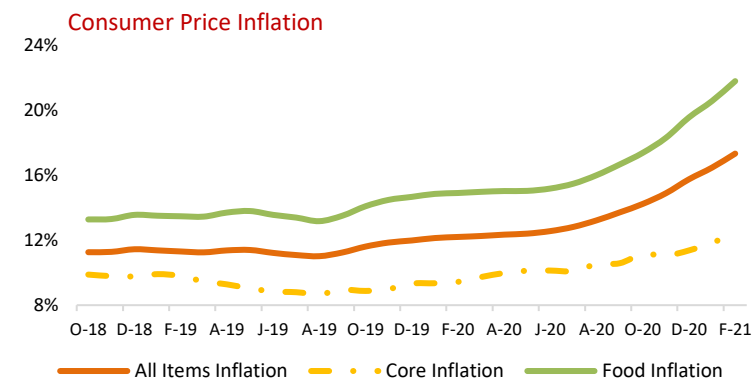
## Purchasing Managers' Index Hints at Sustained Growth

Nigeria's business activity remained in expansion territory as the IHS Markit-Stanbic IBTC headline PMI rose faster to 52.9 points in March (from 52.0 points in February). New orders and output expanded, egging greater staffing and reducing backlogs. Raw materials shortage also drove input costs higher.



Source: IHS Markit-Stanbic IBTC, National Bureau of Statistics, Cowry Research

Meanwhile, annual inflation (consumer price) rate continued to trek northwards, having risen to 17.33% in the month of February (from 16.47% recorded in January).



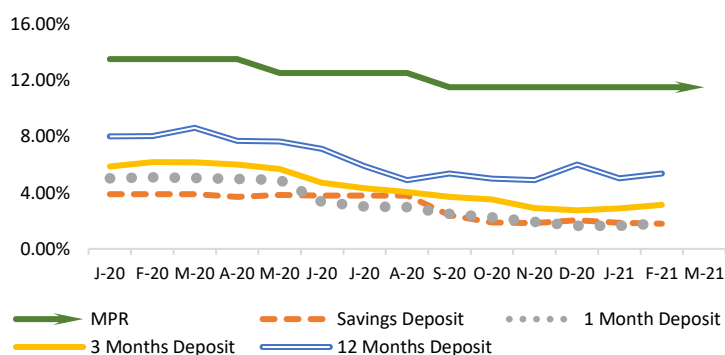
Source: National Bureau of Statistics, Cowry Research

The increase in inflation rate was caused by broad-based price increases in the food and non-food categories, albeit food prices continued to exert greater pressure. Exchange rate pressure, increase in energy prices, insecurity in the food producing parts of the country and a weaker harvest season continued to be the major drivers of inflation.

## Central Bank Mops Up Financial System Liquidity at Auctions

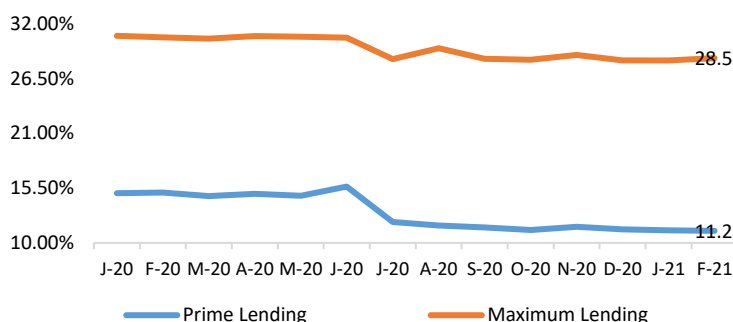
Meanwhile, the Monetary authority appeared aggressive in its effort to manage liquidity amid the rising threat of inflation by selling short term government securities at higher stop rates.

### Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

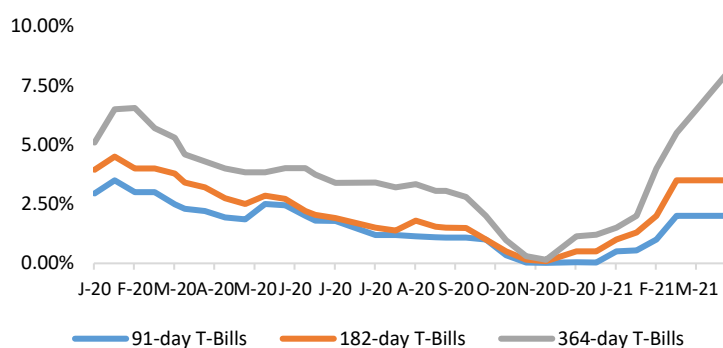
### Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

In line with our expectation as stated in the February 2021 edition of *Cowry Monthly Economic Digest* that “the rate of increase in stop rates will likely plateau in the near term, thus creating trading opportunities for short term investors”, stop rates for the 91-day bills and 182-day bills were flat at 2.00% and 3.50% respectively in March. However, the 364-day bills increased to 8.00% (from 5.50% in February).

### Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

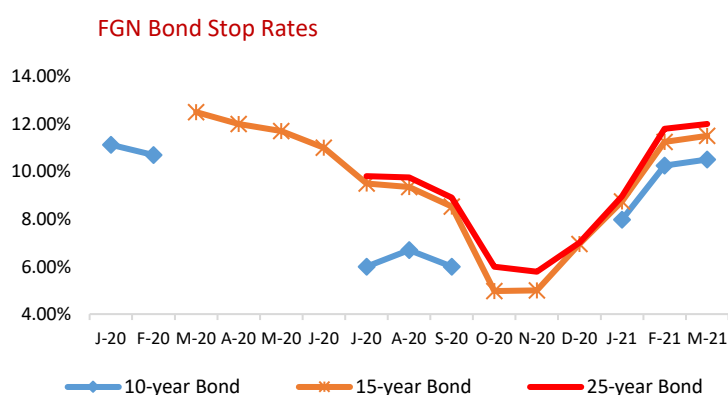
At the secondary market, investors in T-bills remained bearish, driving Nigerian Interbank Treasury Bills True Yields (NITTY) northwards across the board – amid increase in stop rates. Notably, 12 months and 6 months NITTY rose by 3.22ppt and 1.51ppt to 6.48% and 3.27% respectively in March.

### Monthly NITTY Performance

Tenor	Mar 2021 Close	Feb 2021 Close	PPT
1 Month	1.8650%	0.7631%	1.10
3 Months	2.4297%	1.2747%	1.16
6 Months	3.6584%	2.1479%	1.51
12 Months	6.4845%	3.2666%	3.22

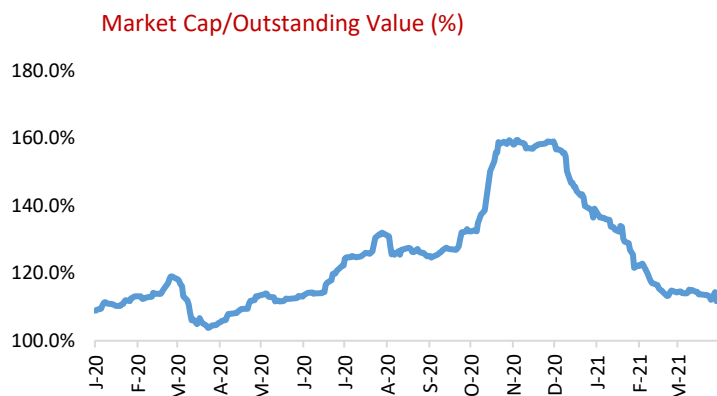
Source: FMDQ, Cowry Research

In March, FGN bonds were auctioned at higher stop rates for the 10-year, 15-year and 25-year maturities as investors continued to demand for higher yields. Stop rates for the 10-year, 15-year and 25-year bonds rose to 10.50% (from 10.25% in February), 11.50% (from 11.25% in February) and 12.00% (from 11.80% in February) respectively.



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively lower premia in March relative to February as Market Capitalization to outstanding value ratio fell, on average, to 113.85% in March from 117.45% in February.



Source: FMDQ, Cowry Research

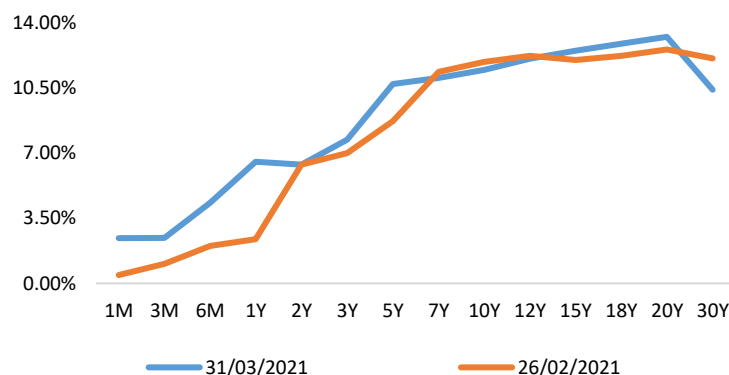
FGN bond prices declined across maturities and product variants. The 7-year, 13.53% FGN March 2025 plain vanilla paper shed N8.66; the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N1.67; the 7-Year, 14.50% FGNGB JUN 2026 green bond lost N6.57 while the 7-year, 7.62% FGNEUR NOV 2025 Eurobond tanked by USD1.76.

	31-Mar-21	M-o-M	26-Feb-21	M-o-M
FGN Bonds	Price (₦)	₦ Δ	Yield	PPT Δ
5-Year, 12.75% FGN APR 2023	112.26	0.64	6.34%	(0.53)
7-Year, 13.53% FGN MAR 2025	115.16	(8.66)	8.92%	2.18
10-Year, 16.29% FGN MAR 2027	125.26	(2.24)	10.48%	0.38
30-Year, 14.80% FGN APR 2049	124.04	(7.34)	11.83%	0.70
7-Year, 11.20% FGNSK JUN 2027	103.17	(1.67)	10.48%	0.35
7-Year, 14.50% FGNGB JUN 2026	117.01	(6.57)	10.19%	1.38
7-Year, 7.62% FGNEUR NOV 2025	112.63	(1.76)	4.57%	0.33

Source: FMDQ, Cowry Research

The normal yield curve at the end of March was relatively higher than the yield curve as at the end of February, – especially at the short end, as stop rates at the primary market trended higher (bearish flattening) – as inflationary pressure increased and foreign exchange rate pressure was sustained.

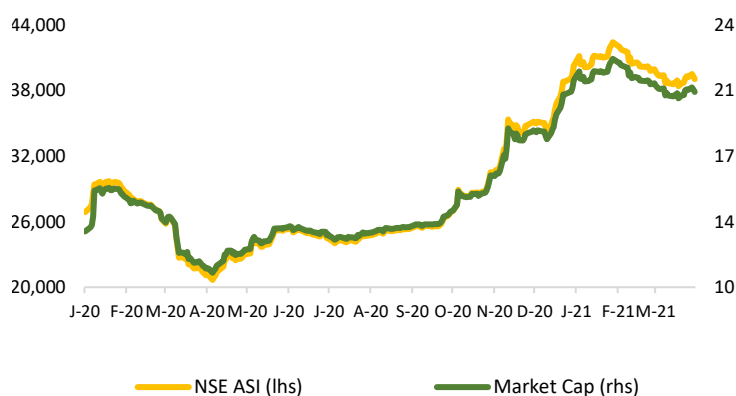
**Spot Yield Curve of FGN Bonds**



Source: FMDQ, Cowry Research



Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Mar. Close	Feb. Close	%age Δ	YTD %age Δ
NSE ASI	39,045.13	39,799.89	-1.9%	-3.0%
Market Cap (N trillion)	20.43	20.82	-1.9%	-3.0%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Mar. Close	Feb. Close	%age Δ	YTD %age Δ
NSE Banking	369.67	382.76	-3.4%	-5.9%
NSE Insurance	204.54	202.09	1.2%	7.9%
NSE Consumer Goods	542.94	563.85	-3.7%	-5.3%
NSE Oil/Gas	265.87	265.39	0.2%	17.5%
NSE Industrial	1,889.76	1,898.20	-0.4%	-7.9%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Mar-21	Feb-21	%age Δ
Deals	99,109	106,663	-7.1%
Volume (million)	8,844	8,921	-0.9%
Value (N million)	110,591	92,238	19.9%

Source: Nigerian Stock Exchange, Cowry Research

Bearish sentiment pervaded the Nigerian equities market in March amid sustained profit taking activity. This was against the backdrop of the rising yield environment (stop rates of auctioned government securities trended higher) which continued to attract safe haven investors. The NSE ASI and market capitalization each waned m-o-m by 1.9% to 39,045.13 points and N20.43 trillion respectively – the second consecutive negative monthly performance – while year-to-date performance dipped by 3.0%.

The banking, consumer goods and industrial subsectors closed in the red as sell pressure was sustained. NSE Consumer Goods index fell the most by 3.7% as shares of Champion Breweries (trading symbol: CHAMPION) depreciated by 11%, while NSE Banking index declined by 3.4% as shares of United Bank for Africa (trading symbol: UBA) depreciated by 13%. Also, NSE Industrial index shed 0.4% as shares of Berger Paints (trading symbol: BERGER) tanked by 10%.

The general bearish sentiment notwithstanding, insurance and oil & gas stocks trended higher. The NSE Insurance Index rose by 1.2% as shares of Linkage Assurance (trading symbol: LINKASSURE) gained 18% while the NSE Oil/Gas Index upped 0.2% as shares of Seplat Petroleum Development Company (trading symbol: SEPLAT) buoyed by 4%.

Market activity was mixed – total deals and transacted volumes declined by 7.1% and 0.9% to 99,109 deals, 8.8 billion shares respectively. However, Naira votes increased by 19.9% to N110.6 billion.



## Top Gainers and Top Losers

Top 10 Gainers	Prices (N)		%age Δ
	31-Mar-21	26-Feb-21	
SYMBOL			
MORISON	0.86	0.55	56%
GUINNESS	33.90	23.05	47%
STANBIC	51.25	40.00	28%
UACN	9.00	7.50	20%
LINKASSURE	0.66	0.56	18%
SKYAVN	3.33	2.88	16%
MBENEFIT	0.46	0.40	15%
NEM	2.30	2.00	15%
CAP	22.20	19.50	14%
UNITYBNK	0.75	0.67	12%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		%age Δ
	31-Mar-21	26-Feb-21	
SYMBOL			
JAPAUFGOLD	0.41	0.91	-55%
INITSPLC	0.42	0.52	-19%
DAARCOMM	0.21	0.25	-16%
ARDOVA	15.20	18.05	-16%
LIVESTOCK	1.92	2.26	-15%
IKEJAHOTEL	1.10	1.28	-14%
UCAP	5.30	6.13	-14%
UBA	7.05	8.15	-13%
CHAMS	0.21	0.24	-13%

Source: Nigerian Stock Exchange, Cowry Research

## Full Trading Suspension

Union Diagnostic and Clinical Services Plc: The NSE notified Dealing Members that trading in the shares of Union Diagnostic and Clinical Services Plc (Union Diagnostic or the Company) was suspended on Friday, 5 March 2021.

The suspension was necessary to prevent trading in the shares of the Company beyond the effective date of the Scheme of Arrangement between Union Diagnostic and Cedar Advisory Partners Limited (the Scheme) and for determining the shareholders whose names are in the register of members on the effective date. The terms of the Scheme include the transfer of the entire issued and fully paid-up ordinary shares of 50 Kobo each in Union Diagnostic held by the Scheme Shareholders to Cedar Advisory Partners Limited. The Company's shareholders approved the Scheme at a Court Ordered Meeting held on 25 January 2021. The Scheme will result in the delisting of the Company from the Daily Official List of the NSE.

## New Listing (Bond)

FGN Roads Sukuk Company Plc: The NSE notified Dealing Members that 162,557,000 units of the FGN Roads Sukuk Company 1 Plc's 7-Year, 11.200% Ijarah Sukuk Bond due 2027 were listed on the NSE on Thursday, 18 March 2021.

## Restructuring of Bonds

Kogi State Government: The NSE notified Dealing Members that the Kogi State N5 Billion (Series I) 15% Fixed Rate Bond (Symbol: 15.00% KGB DEC 2020) and the N3 Billion (Series II) 17% Fixed Rate Bond (Symbol: 17.00% KGB MAR 2022) under the N20 Billion Debt Issuance Program have been restructured to tenors of 2023 and 2025 respectively and will therefore be maturing on December 31, 2023 and March 31, 2025 respectively.



## Cowry Monthly Economic Digest: March 2021

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