

Global, Local Assets Prices Rise amid Improved Investor Sentiment

The global economy expanded for the thirteenth consecutive month in July as the J.P. Morgan Global Composite Output Index expanded to 55.7 points in July 2021, albeit slower than 56.6 points in June 2021. This was on the back of sustained expansion in output and new business orders seen in domestic markets as well as international trade. Specifically, indexes for new business and new export orders expanded to 55.5 points and 52.5 points respectively (although slower than 56.6 points and 52.9 points in June).

Meanwhile, global inflation rate appeared sticky in July. As already noted, global composite input cost and output prices were about flattish at 66 points and 58 points respectively in July. Also, rising energy prices – spot Brent crude oil price increased m-o-m by 2.74% to USD75.16 a barrel in July – was offset by moderating food prices. According to Food and Agriculture Organization, July saw a second consecutive annual disinflation in global food prices to 31% (from 34% registered in June).

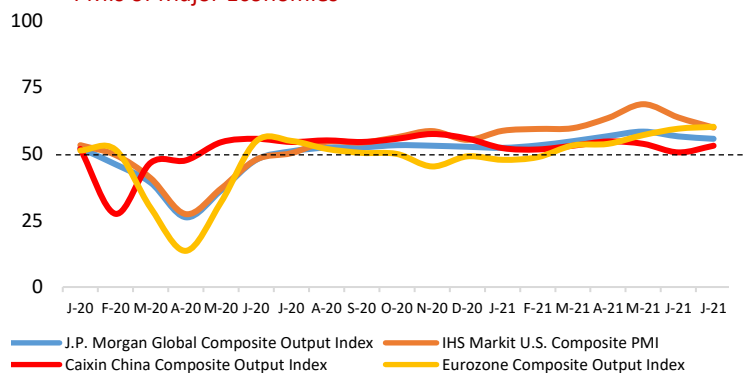
Nigeria's foreign exchange reserves declined m-o-m by 1.9% to USD33.20 billion at the end of July despite an increase in average price of Bonny Light crude oil price over the same period (Bonny Light rose m-o-m by 3.9% to USD76.36 a barrel). This was partly due to a m-o-m fall in average daily crude oil production by 0.57% to 1.39 million barrels per day in July amid persistently high demand for foreign exchange.

Nigeria's business activity remained in expansion territory as the IHS Markit-Stanbic IBTC headline PMI rose to 54.4 points in July (from 53.6 points in June). Expansion in new orders and output was driven by higher demand requiring purchase of more inventory and higher staffing to reduce greater workload.

In the month of July, the local bourse witnessed bullish activity as investors swooped on shares amid ongoing H1 2021 earnings season which saw a generally positive performance in financial results of corporates. This was also against the backdrop of the moderating yield environment (stop rates of auctioned government securities trended lower). The NSE ASI rose m-o-m by 1.7% to 38,547.08 points while market capitalization increased by 1.6% to N20.08 trillion. However, the all-share index fell by 4.3% year-to-date.

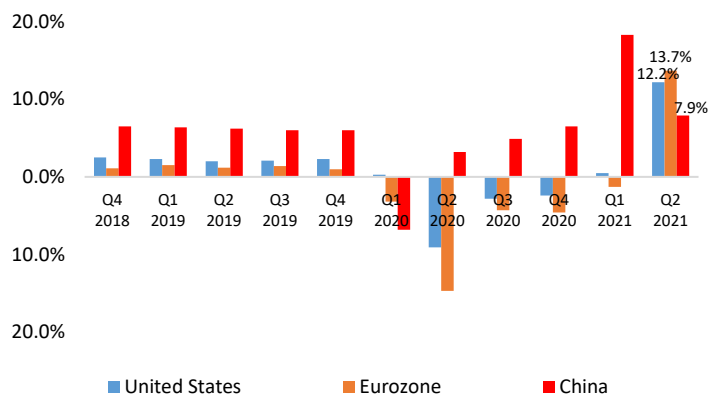
Global Economy

PMIs of Major Economies



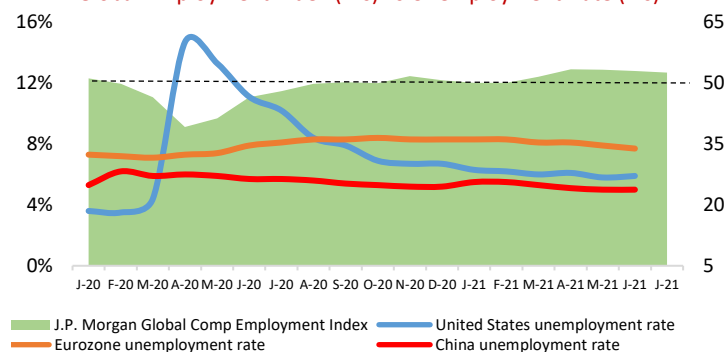
Source: Markit Economics, Cowry Research

GDP Growth Rates of Major Economies



Source: Trading Economics, Cowry Research

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



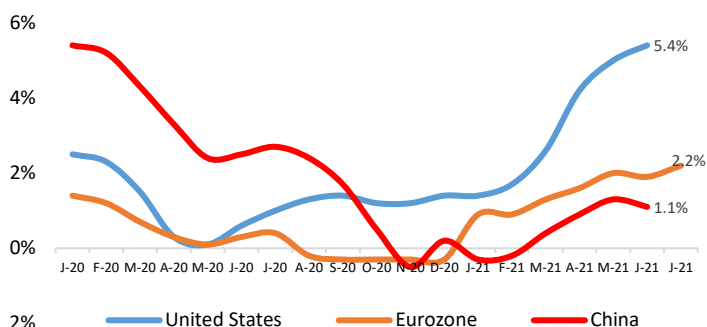
Source: Markit Economics, Trading Economics, Cowry Research

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Meanwhile, the United States registered a 12.2% year-on-year growth in second quarter GDP, faster than 0.50% recorded in Q1 2021. Similarly, the Euro Area broke free from five consecutive quarters of economic recession as it recorded a 13.7% y-o-y growth in Q2 2021 GDP. However, China posted a slower y-o-y GDP growth rate of 7.9% in Q2 2021 compared to 18.3% in Q1 2021.

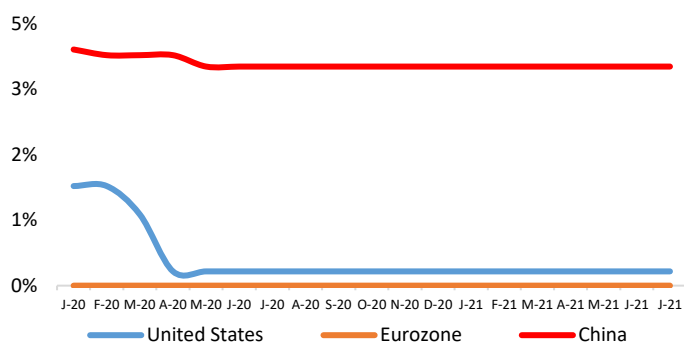
On the jobs front, the J.P. Morgan Global Composite Employment Index expanded to 52.9 points in July (although slower than 53 points in June) amid slower business activity at both manufacturers and service providers. Unemployment in the Euro Area slowed to 7.7% in June (from 7.9% in May), however, US unemployment rose to 5.9% from 5.9%.

Inflation Rates of Major Economies



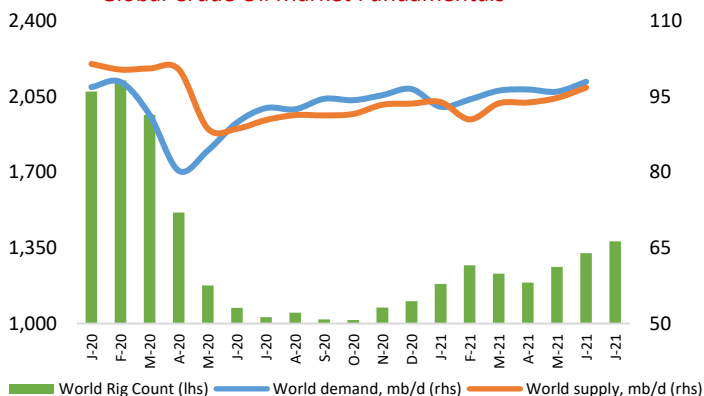
Source: Trading Economics, Cowry Research

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

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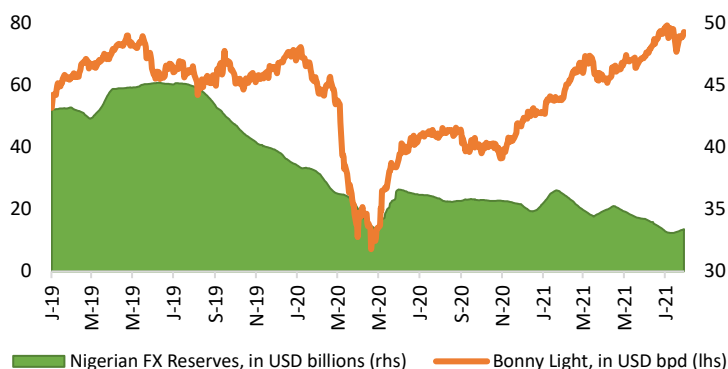
In the month of June, two economic majors, Euro Area and China, recorded disinflation rates of 1.9% (from 2% in May) and 1.1% (from 1.3% from May) respectively. However, U.S. inflation rate rose to 5.4 in June (from 5% in May).

The U.S. 10-year bond yield and 1-year T-Bill yield fell to 1.22% and 0.06% respectively at the end of July (from 1.47% and 0.07% at the end of June) as investor demand for U.S. assets was sustained amid improved economic data. Likewise, German 10-year bond yield fell to -0.46% at the end of July (from -0.20% at the end of June) while the 1-year yield fell to -0.64% from -0.60% amid a record high Composite PMI rise to 62.4 points in July. Over the same period, China's 10-year bond yield fell to 2.85% from 3.12% while its 1-year bond yield fell to 1.96% from 2.32%.

In the global energy market, latest statistics from the US EIA showed that world crude oil consumption increased m-o-m by 2.04% to 97.9 million barrels per day (mbpd), higher than world crude oil supply which also increased by 2.17% to 96.8 mbpd in June. Meanwhile, world rig count also increased by 4.99% to 1,325 in June, suggestive of increased confidence of oil and gas investors about global economic outlook.

Nigerian Economy

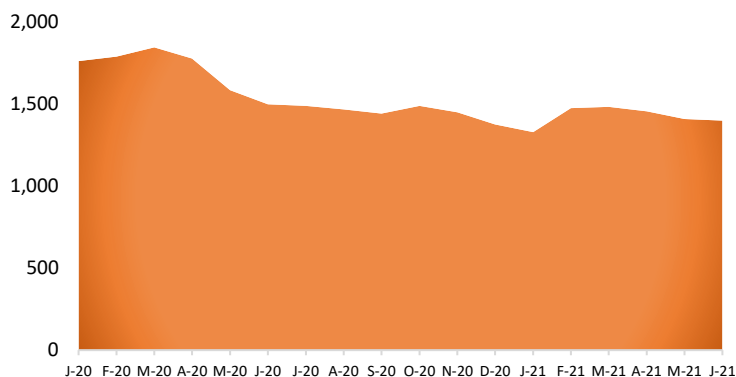
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

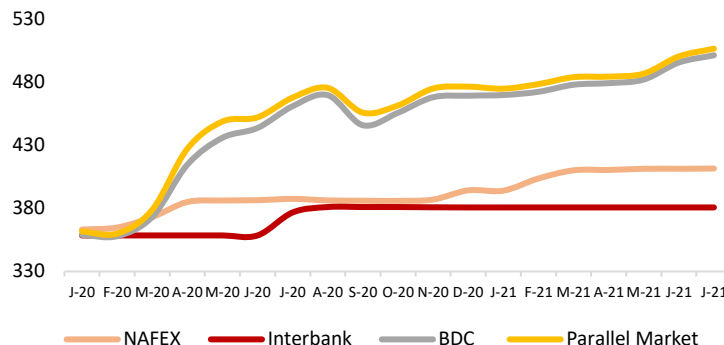
Nigeria's foreign exchange reserves declined m-o-m by 1.9% to USD33.20 billion at the end of July despite an increase in average price of Bonny Light crude oil price over the same period (Bonny Light rose m-o-m by 3.9% to USD76.36 a barrel). This was partly due to a m-o-m fall in average daily crude oil production by 0.57% to 1.39 million barrels per day in July amid persistently high demand for foreign exchange.

Nigeria's Average Crude Oil Production '000 bpd



Source: Opec, Cowry Research

Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

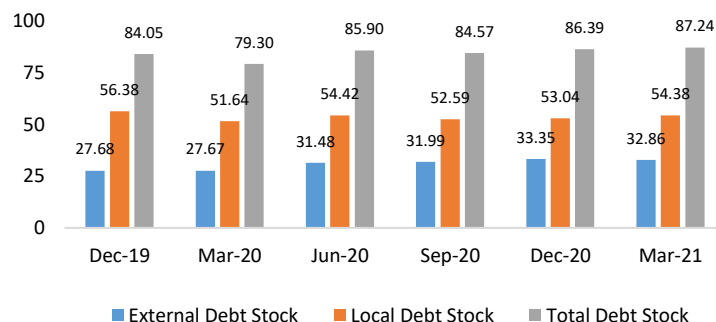
Hence, Naira depreciated, on average, against the greenback in most forex market segments in July – Naira weakened at the NAFEX, BDC and Parallel markets by 0.04%, 1.2% and 1.2% to N411.48/USD, N501.15USD and N506.40/USD respectively but was flat at N380.69 at the Interbank FX segment.

External Debt to Reserves Ratio as March 2021

	External Debt (1)	External Reserves (2)	(1) as %age of (2)
Mar-20	27.67	35.16	78.7%
Dec-20	33.35	34.82	95.8%
Mar-21	32.86	34.82	94.4%

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

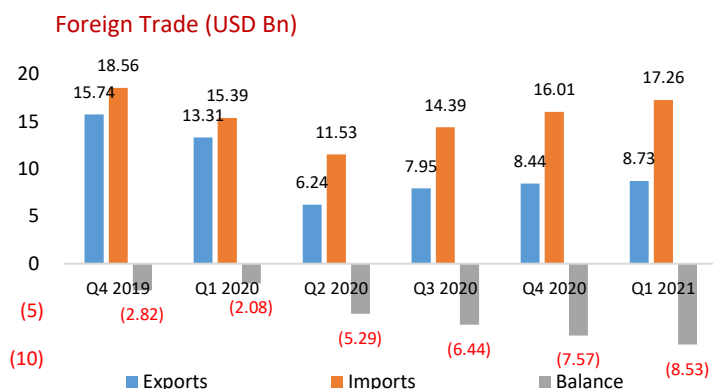
National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

Nigeria Records Wider Trade Deficit in Q1 2021

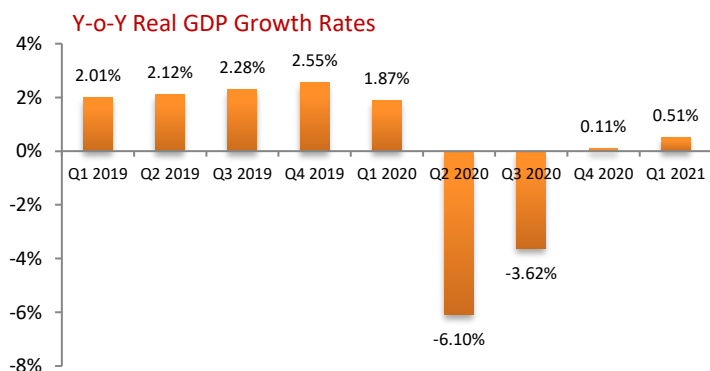
In Q1 2021, Nigeria recorded a 12.7% q-o-q increase in trade deficit to USD8.53 billion, driven by a 7.8% increase in imports to USD17.26 billion, higher than a 3.4% increase in exports to USD8.73 billion recorded during the period.



Source: Central Bank of Nigeria, Cowry Research

Nigeria Recovers Slowly as Q1 Real GDP Rises by 0.51%

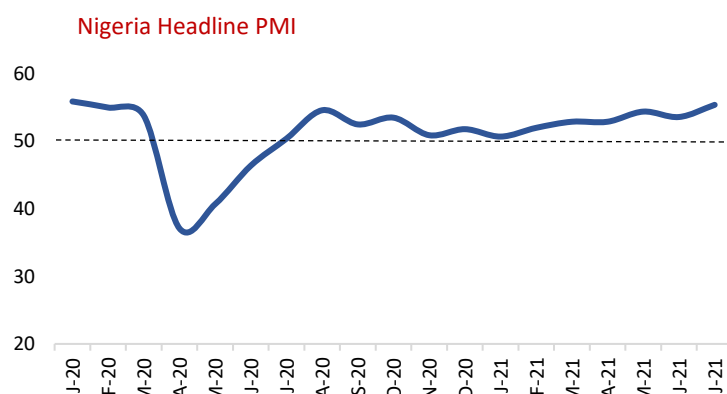
In Q1 2021, Nigeria printed a y-o-y real output growth of 0.51% to N16.83 trillion (or USD112.24 billion). Growth was driven by a 0.79% growth in non-oil sector. The oil/ gas sector, however, fell by 2.21% to N1.56 trillion (or USD10.40 billion) as average daily oil production fell q-o-q by 16.91% to 1.72 mbpd.



Source: National Bureau of Statistics, Central Bank of Nigeria, Cowry Research

Purchasing Managers' Index Hints at Sustained Growth

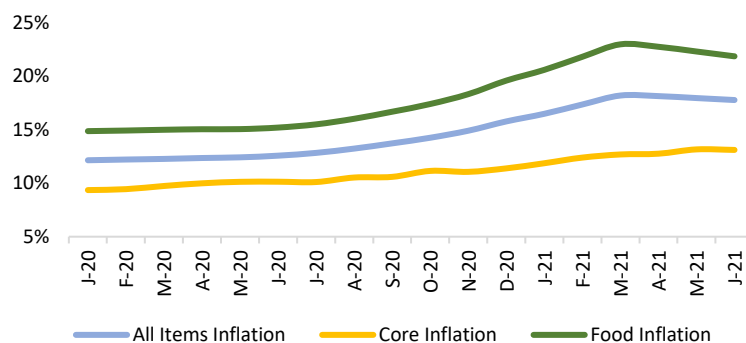
Nigeria's business activity remained in expansion territory as the IHS Markit-Stanbic IBTC headline PMI rose to 54.4 points in July (from 53.6 points in June). Expansion in new orders and output was driven by higher demand requiring purchase of more inventory and higher staffing to reduce greater workload.



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

Meanwhile, annual inflation (consumer price) rate moderated to 17.75% in the month of June (from 17.93% recorded in May). The southward movement was majorly driven by a slower rise

Consumer Price Inflation



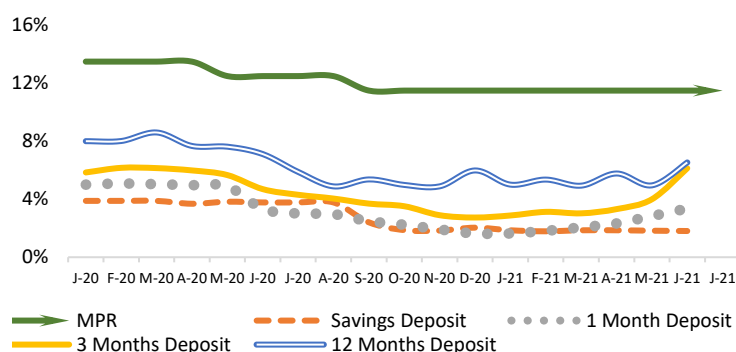
Source: National Bureau of Statistics, Cowry Research

in both food and core indexes by 21.83% and 13.09% respectively in June. The rise in the food index was due, inter alia, to increases in prices of bread and cereals, potatoes, yam and other tubers, milk, eggs, fish and meat. Core inflation was driven by rise in price of garments, passenger travel by air and by road, motor cars and vehicle spare parts, pharmaceutical products and medical services, among other things.

Depositors See Improved Rates in June

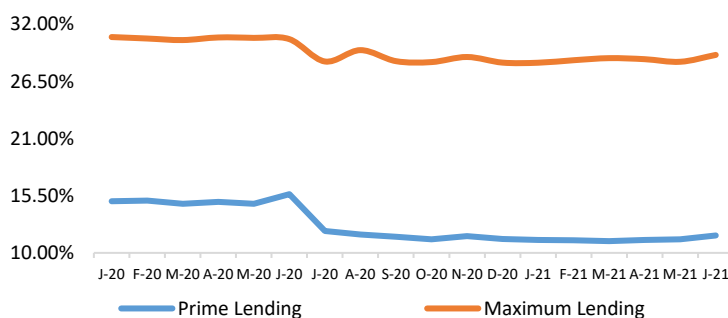
Depositors earned better interest on their deposits as 1-, 3- and 12-month deposit rates rose to 3.36%, 6.14% and 6.54% in June (from 2.84%, 4.00% and 4.96% in May) respectively.

Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

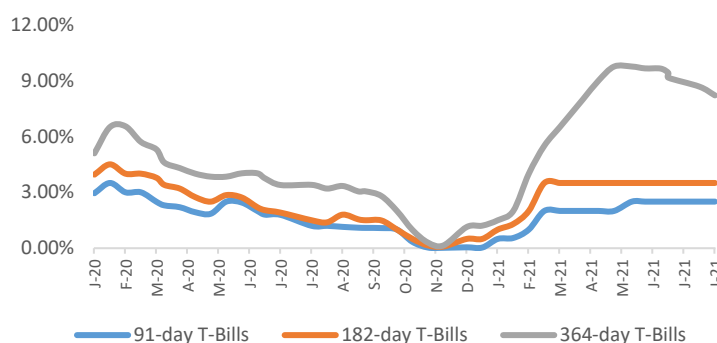
Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

Meanwhile, maximum lending rates rose, on average, to 29.05% (from 28.39%). On the other hand, prime borrowers saw sustained rise in average lending rate to 11.67% (from 11.29%) for the third consecutive month. Spread between the two rates widened to 17.38ppt in June from 17.10ppt in May.

Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

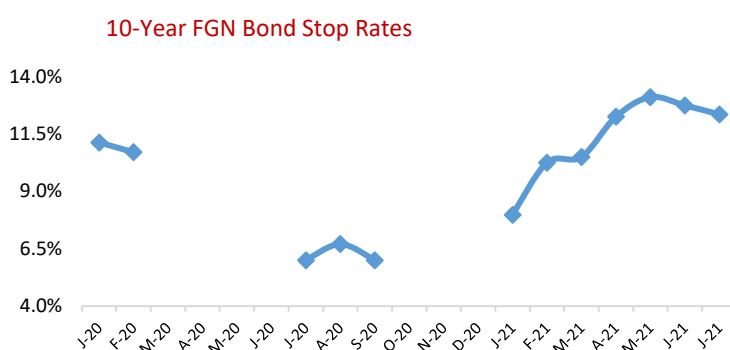
Stop rate for the 364-day T-Bill declined to 8.20% in July (from 8.67% in June). However, stop rates of auctioned 91-day T-bill and 182-day T-bill remained flat at 2.50% and 3.50% respectively in July 2021. In the secondary market, sentiment was bullish as NITTY fell across all tenors. Notably, 6 months and 12 months NITTY declined by 1.54ppt and 1.10ppt to 6.87% and 8.72% respectively in July.

Monthly NITTY Performance

Tenor	July 2021 Close	June 2021 Close	PPT
1 Month	3.4293%	3.8485%	(0.42)
3 Months	4.2916%	4.9613%	(0.67)
6 Months	5.3337%	6.8690%	(1.54)
12 Months	8.7156%	9.8144%	(1.10)

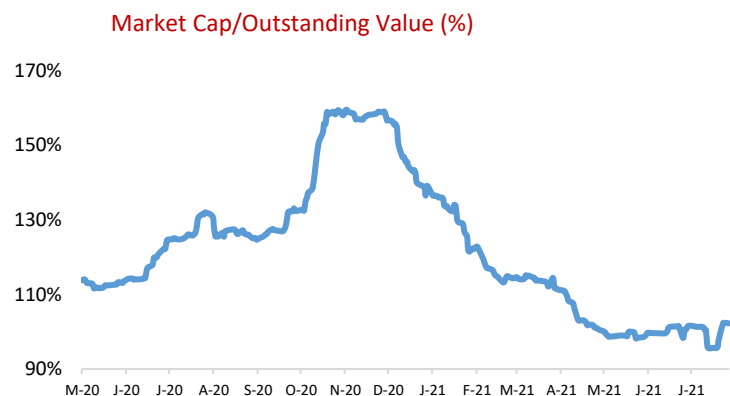
Source: FMDQ, Cowry Research

In July, FGN bonds were auctioned at lower stop rates for the 10-year and 30-year maturities amid increased buy pressure. Stop rates for the 10-year and 30-year bonds fell to 12.35% (from 12.74% in June) and 13.25% (from 13.70% in June) respectively. The 20-year bond also fell to 13.15% (from 15.92% in September 2017 when it was last auctioned)



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively higher premia in July relative to June as the ratio of market capitalization to outstanding value rose, on average, to 100.23% in July from 100.09% in June.



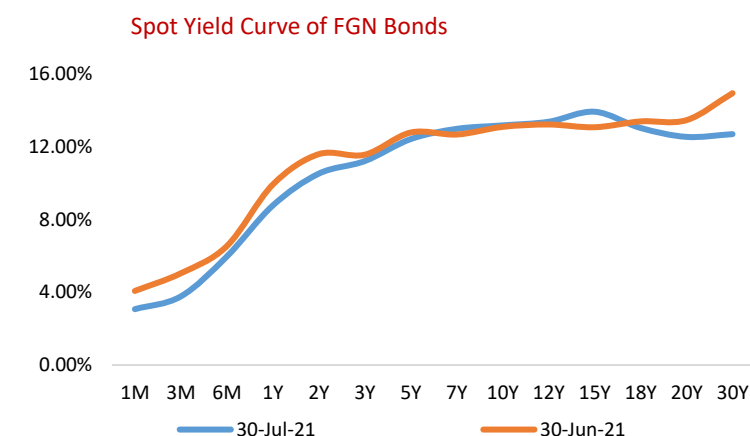
Source: FMDQ, Cowry Research

FGN bond prices moved in mixed directions across maturities and product variants. The 7-year, 13.53% FGN March 2025 plain vanilla paper gained N1.72; the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N0.07; the 7-Year, 14.50% FGNGB JUN 2026 green bond gained N1.72; while the 7-year, 7.62% FGNEUR NOV 2025 Eurobond moderated by USD0.43.

FGN Bonds	30-Jul-21 Price (₦)	M-o-M ₦ Δ	30-Jul-21 Yield	M-o-M PPT Δ
5-Year, 12.75% FGN APR 2023	103.94	1.95	10.20%	(1.28)
7-Year, 13.53% FGN MAR 2025	106.21	1.72	11.39%	(0.60)
10-Year, 16.29% FGN MAR 2027	115.74	(0.24)	12.32%	0.02
30-Year, 14.80% FGN APR 2049	112.53	(0.18)	13.10%	0.02
7-Year, 11.20% FGNSK JUN 2027	95.22	(0.07)	12.36%	0.02
7-Year, 14.50% FGNGB JUN 2026	108.95	1.72	12.01%	(0.48)
7-Year, 7.62% FGNEUR NOV 2025	112.34	(0.43)	4.44%	0.05

Source: FMDQ, Cowry Research

The normal yield curve at the end of July was relatively lower than the yield curve as at the end of June, – especially at the short end and towards the extreme right, as stop rates at the primary market trended lower – amid declining inflationary pressure as well as ongoing FX reforms.



Source: FMDQ, Cowry Research

Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	July Close	June Close	%age Δ	YTD %age Δ
NSE ASI	38,547.08	37,907.28	1.7%	-4.3%
Market Cap (N trillion)	20.08	19.76	1.6%	-4.6%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	July Close	June Close	%age Δ	YTD %age Δ
NSE Banking	381.35	366.47	4.1%	-3.0%
NSE Insurance	197.77	203.84	-3.0%	4.4%
NSE Consumer Goods	597.66	600.88	-0.5%	4.2%
NSE Oil/Gas	376.95	313.08	20.4%	66.6%
NSE Industrial	1,975.31	1,887.76	4.6%	-3.8%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	July-21	June-21	%age Δ
Deals	80,377	74,888	7.3%
Volume (million)	5,041	4,532	11.2%
Value (N million)	44,868	50,371	-10.9%

Source: Nigerian Stock Exchange, Cowry Research

In the month of July, the local bourse witnessed bullish activity as investors swooped on shares amid ongoing H1 2021 earnings season which saw a generally positive performance in financial results of corporates. This was also against the backdrop of the moderating yield environment (stop rates of auctioned government securities trended lower). The NSE ASI rose m-o-m by 1.7% to 38,547.08 points while market capitalization increased by 1.6% to N20.08 trillion. However, the all-share index fell by 4.3% year-to-date.

Most sectors closed in the green except the insurance and consumer goods sectors. The Banking sector index rose by 4.1% as investors snapped up shares of banks such as Access, UBA and Zenith, expected to declare interim dividends. Also, Oil and gas stocks appreciated by 20.4% on the back of a 49% gain on shares of Oando (following its truce with the SEC) as well as Total Nigeria and Seplat Energy which rose by 40% and 12% respectively amid declarations of interim dividends. Also, Industrial stocks firmed by 4.6% on the back of gains on shares of Dangote Cement and CAP which closed higher by 12% and 9% respectively.

On the flip side, Insurance sector sank by 1.4% amid weaker corporate performance by some names. Linkage Assurance and Mutual Benefits Assurance shed 29% and 14% respectively. Similarly, Consumer goods sector softened by 0.5% as shares of Nigerian Breweries tumbled 4%.

Market activity was mixed: as total deals and transacted volumes rose m-o-m by 7.3% and 11.2% respectively. However, Naira votes fell by 10.9%.

Top Gainers and Bottom Losers

Top 10 Gainers	Prices (N)		%age Δ
	30-Jul-21	30-Jun-21	
SYMBOL			
CUTIX	4.79	2.80	71%
OANDO [MRF]	4.89	3.29	49%
FTNCOCOA [RST]	0.48	0.33	45%
TRIPPLEG	0.99	0.70	41%
TOTAL	203.20	145.00	40%
UAC-PROP [BLS]	1.20	0.86	40%
NCR	3.00	2.27	32%
WEMABANK	0.82	0.63	30%
JOHNHOLT	0.75	0.58	29%
LEARNAFRCA	1.35	1.05	29%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		%age Δ
	30-Jul-21	30-Jun-21	
SYMBOL			
LINKASSURE	0.60	0.84	-29%
UPL	1.43	1.67	-14%
MBENEFIT	0.37	0.43	-14%
FCMB	3.00	3.35	-10%
REDSTAREX	3.33	3.67	-9%
REGALINS	0.42	0.46	-9%
AIRTELAFRI	615.00	667.70	-8%
CONOIL	18.50	20.00	-8%
UBN [BLS]	5.30	5.60	-5%

Source: Nigerian Stock Exchange, Cowry Research

Proposed Rights Issue and Public Offer

NPF Microfinance Bank Plc: The Nigerian Exchange Limited (NGX) notified investors that the SEC approved an extension of the offer period for both the Rights Issue and the Public Offer of NPF Microfinance Bank Plc ("the bank") to Friday, 30 July 2021 from Wednesday, 30 June 2021.

The bank's Rights Issue of 2,286,657,766 ordinary shares of 50 Kobo each at N1.50 per share was on the basis of one new ordinary share for every one ordinary share held as at 17 May 2021 (Rights Issue); while the Offer for Subscription of 713,342,234 ordinary shares of 50 kobo each was at N1.50 per share (Public Offer).

Additional Listing

Mutual Benefits Assurance Plc: Trading License Holders and the Investing Public were notified that additional 8,888,888,889 ordinary shares of 50 kobo each of Mutual Benefits Assurance Plc were listed on the Daily Official List of the NGX.

Change of Name and Trading Symbol

UACN Property Development Company Plc: The NGX notified trading license holders and investors of the implementation of the change of name of UACN Property Development Company Plc (the Company) to UPDC Plc. This was in line with the special resolution passed by the Company's shareholders on 21 April 2021 and the Company's receipt of a new certificate of incorporation from the Corporate Affairs Commission. The Company's trading symbol was also changed from UAC-PROP to UPDC.

Suspension of Trading in the Shares

Rak Unity Petroleum Company Plc: NGX Regulation Limited notified Trading License Holders and investors that it had suspended trading in the shares of Rak Unity effective Monday, July 26, 2021 to ensure a smooth winding up process which was approved by shareholders at an AGM held on June 04, 2021.



Cowry Monthly Economic Digest: July 2021

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