

## Global, Local Fixed Income Yields Rise in September

*The global economy expanded for the fifteenth consecutive month in September as the J.P. Morgan Global Composite Output Index rose to 53.4 points (from 52.8 points in August). This was on the back of faster expansion in new business orders in domestic markets to 53.3 points (from 53.2 points in August), although growth in new export business slowed to 50.5 points (from 50.6 points in August). Input cost index accelerated to 66.8 points (from 65.6 points) amid supply constraints which led to a rise in outstanding business index to 53.1 points (from 52.8 points).*

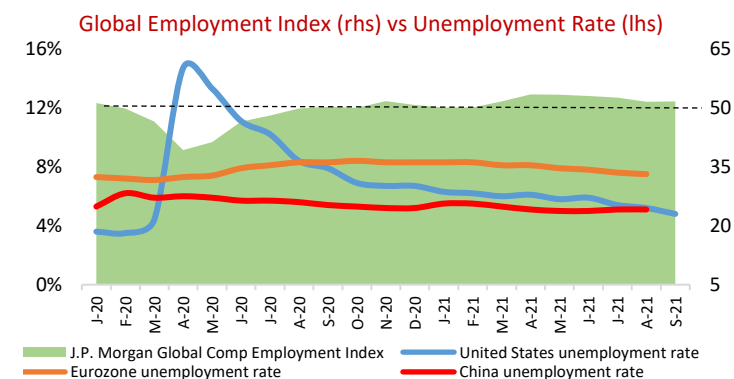
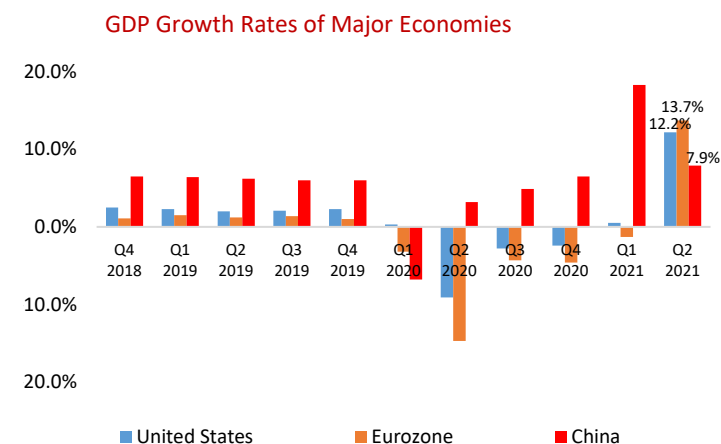
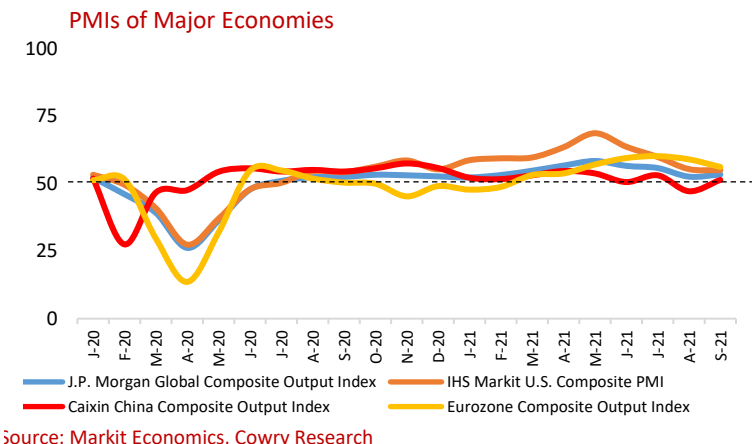
*Meanwhile, global inflation rate appeared to have picked up in September as suggested by the global composite output price index which slowed to 58.0 points. This was in addition to higher energy oil prices – spot Brent crude oil price increased m-o-m by 5.68% to USD74.70 a barrel in September. Global food index increased to 130.0 in September (from 128.5 in August) according to Food and Agriculture Organization amid rises in prices of meat, dairy, sugar, oil and cereals.*

*Nigeria's foreign exchange reserves rose m-o-m by 8.13% to USD36.78 billion at the end of September amid issuance of USD4 billion Eurobonds in the review month, a reduction in spurious demand for the greenback after CBN stopped selling USD to Bureau De Change operators in late July 2021, as well as an increase in global crude oil prices in September (Bonny Light rose m-o-m by 6.74% to USD78.11 a barrel).*

*In Nigeria, business activity expanded as the IHS Markit-Stanbic IBTC headline PMI rose to 52.3 points in September from 52.2 points in August. Expansions were observed in all sectors tracked – manufacturing, wholesale & retail, services and agriculture. However, input cost pressures spiked.*

*Depositors earned higher interest on their funds as 1-, 3- and 12-month deposit rates moderated to 3.60%, 4.80% and 6.73% in August (from 3.27%, 4.78% and 6.30% in July) respectively. In the same vein, maximum lending rates rose, on average, to 28.00% in August (from 27.99% in July) while prime borrowers saw a rise in average lending rate to 11.62% (from 11.57%). The spread between the two rates narrowed to 16.38ppt in August from 16.42ppt in July. Meanwhile, the normal yield curve at the end of September was relatively steeper than the yield curve as at the end of August.*

## Global Economy

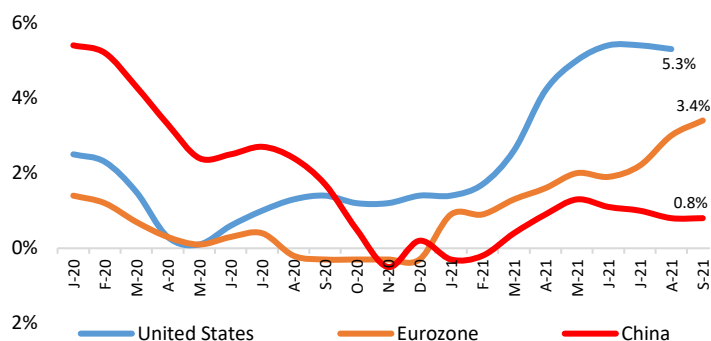


The global economy expanded for the fifteenth consecutive month in September as the J.P. Morgan Global Composite Output Index rose to 53.4 points (from 52.8 points in August). This was on the back of faster expansion in new business orders in domestic markets to 53.3 points (from 53.2 points in August), although growth in new export business slowed to 50.5 points (from 50.6 points in August). Input cost index accelerated to 66.8 points (from 65.6 points) amid supply constraints which led to a rise in outstanding business index to 53.1 points (from 52.8 points). Businesses also transferred some of the higher input cost to the final consumer as output price index rose to 58.0 points (from 57.3 points).

All three major categories in the services sector – business services, financial services and consumer services – witnessed faster output expansions. Increasing demand for services put pressure on existing capacity that resulted in an increase in outstanding business which sustained the need for firms to increase staffing. Similarly, in the manufacturing sector, output expansions in investment goods, intermediate goods and consumer goods categories were stronger. However, manufacturers reported supply-chain challenges which led to shortages and delays in supply of raw materials that tended to suppress activities.

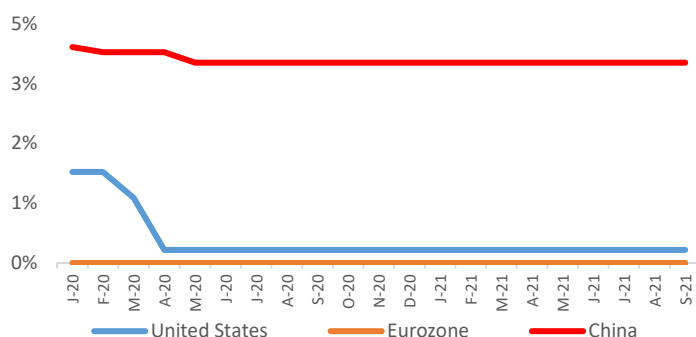
On the jobs front, the J.P. Morgan Global Composite Employment Index expanded faster to 51.6 points in September (from 51.5 points in August) amid modest jobs growth registered at both manufacturers and service providers. Unemployment in the United States fell to 4.8% in September (from 5.2% in August).

## Inflation Rates of Major Economies



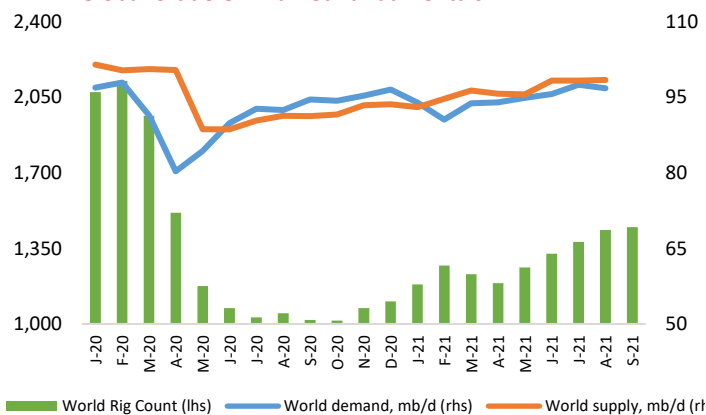
Source: Trading Economics, Cowry Research

## 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

Meanwhile, global inflation rate appeared to have picked up in September as suggested by the global composite output price index which rose to 58.0 points. This was in addition to higher energy oil prices – spot Brent crude oil price increased m-o-m by 5.68% to USD74.70 a barrel in September. Global food index increased to 130.0 in September (from 128.5 in August) according to Food and Agriculture Organization amid rises in prices of meat, dairy, sugar, oil and cereals.

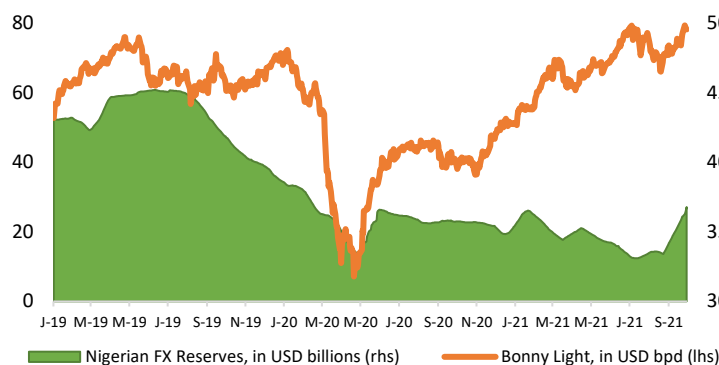
Geographically, latest data showed that the Euro Area registered an increase in inflation rate to 3.4% in of September (from 3.0% in of August). However, China recorded a flat inflation rate of 0.8% in the review period.

Fixed income yields rose amid expectations of contractionary monetary policies as inflationary concerns rose. The U.S. 10-year bond yield and 1-year T-Bill yield rose to 1.49% and 0.079% respectively at the end of September (from 1.31% and 0.068% at the end of August). Likewise, Germany's 10-year bond yield rose to -0.19% at the end of September (from -0.38% at the end of August). However, its 1-year yield was flat at -0.67%. Over the same period, China's 10-year bond yield rose to 2.89% from 2.86% while its 1-year bond yield rose to 2.30% from 2.25%.

In the global energy market, latest series from the US EIA showed that world crude oil consumption moderated m-o-m by 0.73% to 96.8 million barrels per day (mbpd) in August, lower than world crude oil supply which upped by 0.09% to 96.4 mbpd. Meanwhile, world rig count increased by 0.98% to 1,448 in September, suggestive of increased confidence of oil & gas investors in the future of global crude oil consumption.

## Nigerian Economy

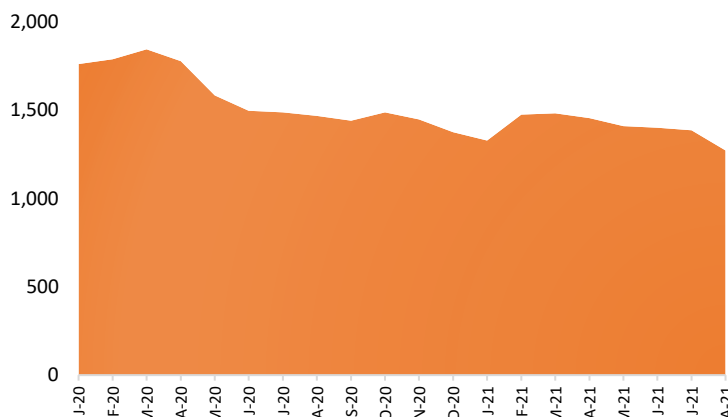
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

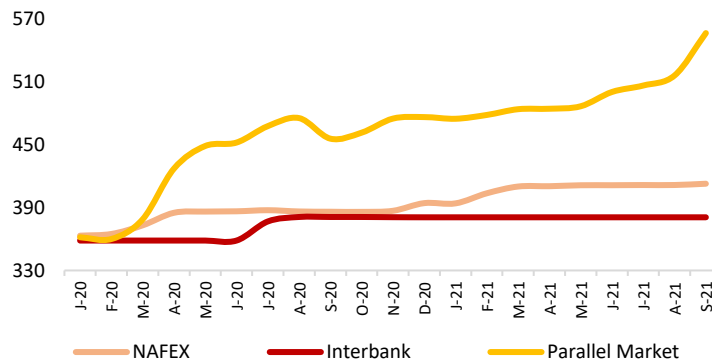
Nigeria's foreign exchange reserves rose m-o-m by 8.13% to USD36.78 billion at the end of September amid issuance of USD4 billion Eurobonds in the review month, a reduction in spurious demand for the greenback after CBN stopped selling USD to Bureau De Change operators in late July 2021, as well as an increase in global crude oil prices in September (Bonny Light rose m-o-m by 6.74% to USD78.11 a barrel).

Nigeria's Average Crude Oil Production '000 bpd



Source: Opec, Cowry Research

Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

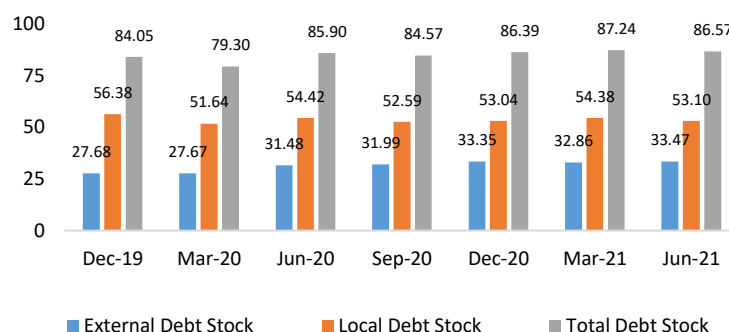
Following the end of dollar sales to BDCs, the spread between the NAFEX rate and the parallel market rate widened further, as FX rate rose by 7.83% to N556.41/USD at the parallel market in September. Naira also depreciated at the I&E FX window by 0.30% to N412.74/USD.

Total Debt Service (N 'Bn) as %age of FGN Retained Revenue (N 'Bn)

Year	Retained Revenue	Debt Service	Debt Service to Retained Revenue
2019	4,530.28	1,661.30	36.67%
2020	3,660.02	1,878.12	51.31%
H1 2021	2,322.59	1,145.97	49.34%

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

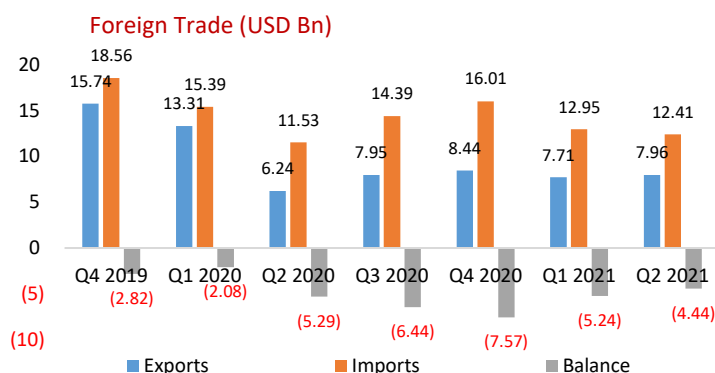
National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

## Nigeria Records Narrower Trade Deficit in Q2 2021

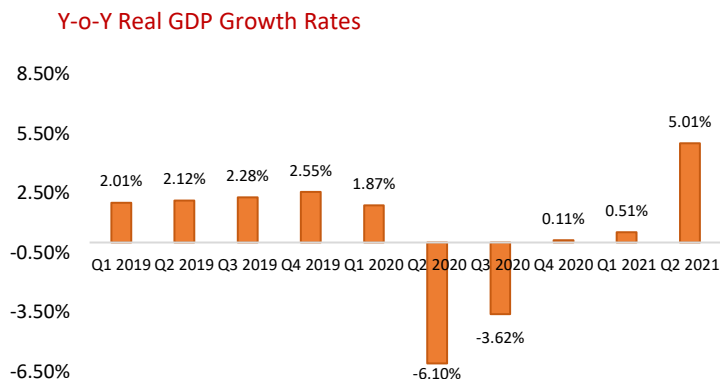
In Q2 2021, Nigeria recorded a 15.2% q-o-q decrease in trade deficit to USD4.44 billion, driven by a 4.2% increase in imports to USD12.41 billion, higher than a 3.2% increase in exports to USD7.96 billion recorded during the period.



Source: Central Bank of Nigeria, Cowry Research

## Nigeria Grows Q2 2021 Real GDP by 5.01% on Base Effects

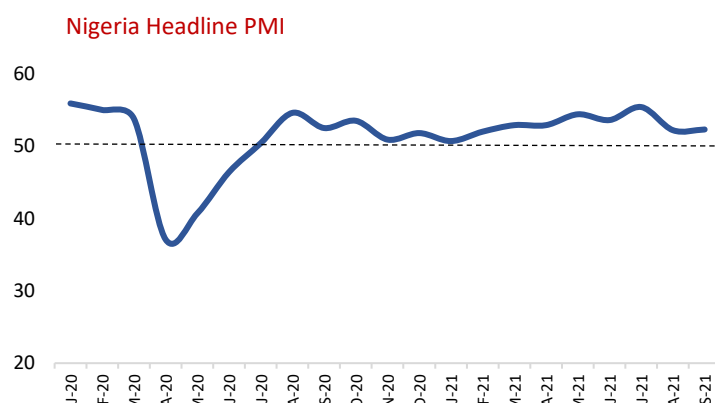
In Q2 2021, Nigeria printed a y-o-y real output growth rate of 5.01% to or USD111.08 billion; propelled essentially by a 6.74% growth in non-oil sector. However, oil & gas sector declined by 12.65% as average daily oil production fell y-o-y by 12.29% to 1.42 million barrels per day (mbpd).



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

## Nigeria's Purchasing Managers' Index Hints at Sustained Growth

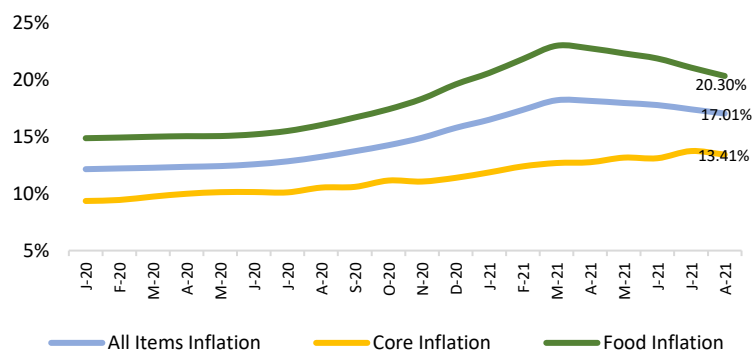
In Nigeria, business activity expanded as the IHS Markit-Stanbic IBTC headline PMI rose to 52.3 points in September from 52.2 points in August. Expansions were observed in all sectors tracked – manufacturing, wholesale & retail, services and agriculture. However, input cost pressures spiked.



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

Meanwhile, annual inflation rate moderated to 17.01% in the month of August (from 17.38% recorded in July). The southward movement was majorly driven by a moderation in

## Consumer Price Inflation



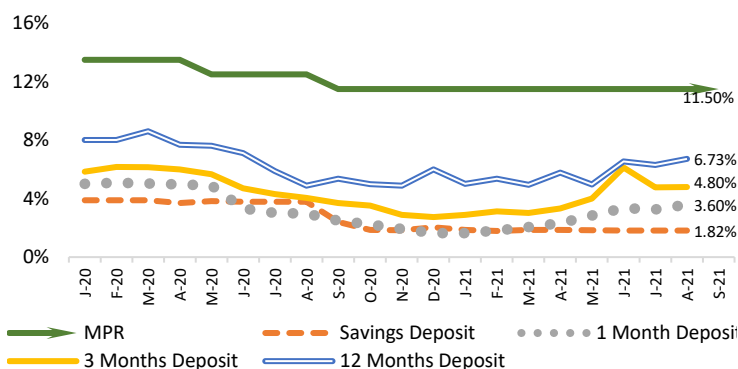
Source: National Bureau of Statistics, Cowry Research

core inflation to 13.41% in August (from 17.38% recorded in July) amid a fall in transportation fare; although prices of pharmaceutical products, garments, shoes & other footwears, medical & hospital services, furniture & finishing, amongst others, rose. Food Inflation slowed to 20.30% (from 21.03% recorded in July) as there were slower rises in prices of milk, cheese and egg, coffee, tea, cocoa, vegetables amongst others.

## Depositors Earn Higher in August

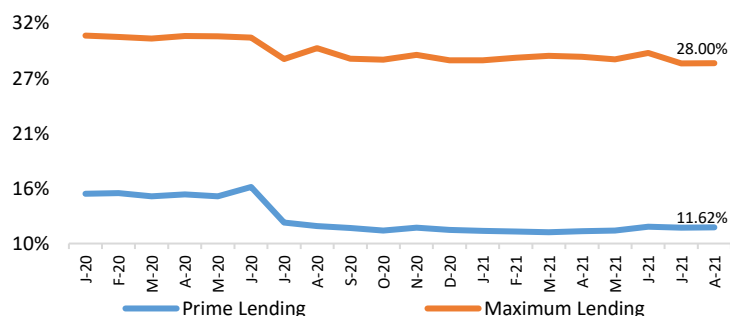
Depositors earned higher interest on their funds as 1-, 3- and 12-month deposit rates moderated to 3.60%, 4.80% and 6.73% in August (from 3.27%, 4.78% and 6.30% in July) respectively.

### Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

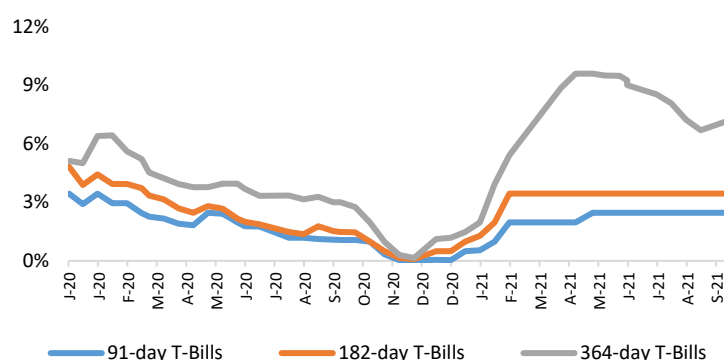
### Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

In the same vein, maximum lending rates rose, on average, to 28.00% in August (from 27.99% in July) while prime borrowers saw a rise in average lending rate to 11.62% (from 11.57%). The spread between the two rates narrowed to 16.38ppt in August from 16.42ppt in July.

### Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

Stop rate for the 364-day Nigerian T-Bill fell to 7.50% at the end of September (from 6.80% as at August ending). However, stop rates of auctioned 91-day T-bill and 182-day T-bill was flat at 2.50% and 3.50% respectively. In the secondary market, sentiment was bearish as NITTY rose across all tenors. Notably, 3 months and 6 months NITTY rose by 0.35ppt and 0.38ppt to 3.89% and 4.86% respectively in September.

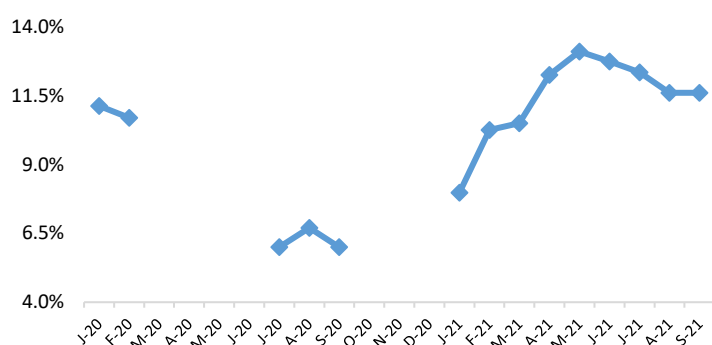
### Monthly NITTY Performance

Tenor	September 2021 Close	August 2021 Close	PPT
1 Month	3.2550%	3.0955%	0.16
3 Months	3.8971%	3.5445%	0.35
6 Months	4.8589%	4.4759%	0.38
12 Months	7.4583%	7.1144%	0.34

Source: FMDQ, Cowry Research

In September, FGN bonds were auctioned at flat stop rates for the 10-year and 20-year maturities at 11.60% and 12.75% respectively. However, the 30-year maturity was issued at a higher stop rate of 13.00% in September (from 12.80% in August) – an unexpected move which initially spooked traders.

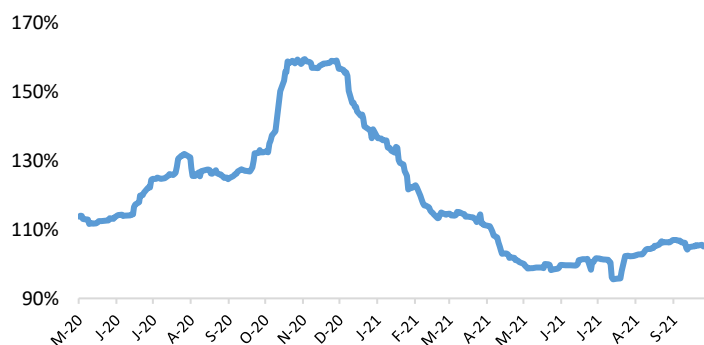
10-Year FGN Bond Stop Rates



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively higher premia in September relative to August as the ratio of market capitalization to outstanding value rose, on average, to 105.56% in September from 104.47% in August.

Market Cap/Outstanding Value (%)



Source: FMDQ, Cowry Research

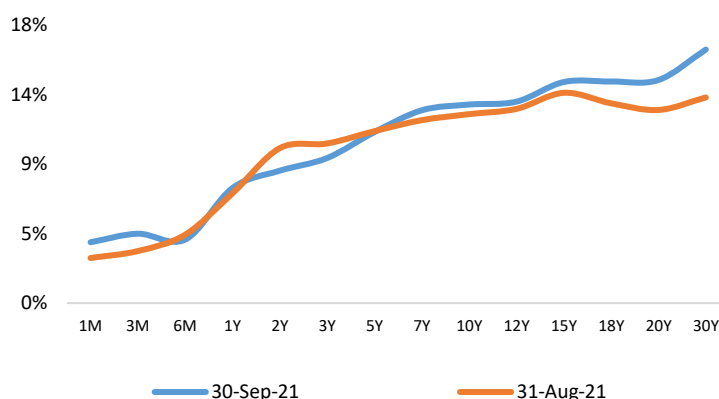
FGN bond prices generally moved in mixed directions across maturities tracked. The 7-year, 13.53% FGN March 2025 plain vanilla paper gained N2.10; the 7-year, 11.20% FGNSK June 2027 sukuk bond firmed by N0.30; the 7-Year, 14.50% FGNGB JUN 2026 green bond gained N0.98; however, the 7-year, 7.62% FGNEUR NOV 2025 Eurobond moderated by USD1.28.

FGN Bonds	30-Sep-21 Price (₦)	M-o-M ₦ Δ	30-Sep-21 Yield	M-o-M PPT Δ
5-Year, 12.75% FGN APR 2023	106.65	(2.49)	8.15%	(1.87)
7-Year, 13.53% FGN MAR 2025	111.36	2.10	9.61%	(0.74)
10-Year, 16.29% FGN MAR 2027	121.44	0.49	10.96%	(0.16)
30-Year, 14.80% FGN APR 2049	113.02	(3.61)	13.04%	0.42
7-Year, 11.20% FGNSK JUN 2027	100.29	0.30	11.12%	(0.07)
7-Year, 14.50% FGNGB JUN 2026	114.54	0.98	10.49%	(0.29)
7-Year, 7.62% FGNEUR NOV 2025	110.59	(1.28)	4.77%	0.26

Source: FMDQ, Cowry Research

The normal yield curve at the end of September was relatively steeper than the yield curve as at the end of August – in line with the general upward trend in interest (stop) rates following the rise in the stop rates for the 1-year T-bill and 30-year note.

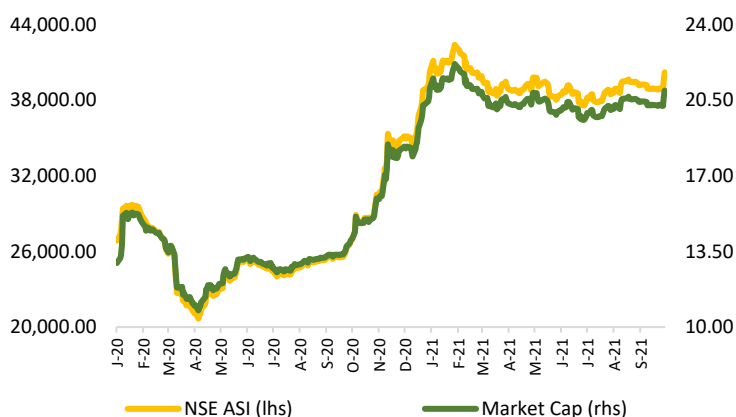
Spot Yield Curve of FGN Bonds



Source: FMDQ, Cowry Research



Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Sept Close	Aug Close	%age Δ	YTD %age Δ
NSE ASI	40,221.17	39,219.61	2.6%	-0.1%
Market Cap (N trillion)	20.96	20.43	2.6%	-0.5%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Sept Close	Aug Close	%age Δ	YTD %age Δ
NSE Banking	370.85	376.96	-1.6%	-5.6%
NSE Insurance	173.04	191.02	-9.4%	-8.7%
NSE Consumer Goods	567.17	552.19	2.7%	-1.1%
NSE Oil/Gas	367.27	368.40	-0.3%	62.4%
NSE Industrial	2,089.38	1,948.53	7.2%	1.8%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Sept-21	Aug-21	%age Δ
Deals	76,662	82,899	-7.5%
Volume (million)	6,371	5,218	22.1%
Value (N million)	59,077	44,713	32.1%

Source: Nigerian Stock Exchange, Cowry Research

In the month of September, the NSE ASI and market capitalization each rose m-o-m by 2.6% to close at 40,221.17 points and N20.96 trillion respectively. The overall positive performance was partly driven by gains on shares of blue chips, Dangote Cement and Nestle Nigeria, that tilted the scales way into positive territory amid an almost even count of gainers and losers, 41:42. Consequently, the year-to-date loss of the local bourse moderated to 0.1%.

The Industrial goods sector gained the most (NSE Industrial Index rose by 7.2%) as shares of cement makers, Dangote Cement and Lafarge Africa firmed by 15% and 4% respectively. Following, the Consumer goods sector index rose by 2.7% as investors grabbed shares of Nestle Nigeria, Northern Nigeria Flour Mills and NASCON.

Financial services sector generally displayed weakness in September. Insurance shares were deflated by 9.4% following losses on shares of Lasaco Assurance and Consolidated Hallmark Insurance by 14% and 10% respectively. Also, banking stocks depreciated by 1.6% as shares of Unity Bank and Union Bank lost 10% and 8% respectively. Meanwhile NSE Oil/Gas Index moderated by 0.3% as shares of Seplat Energy tanked by 0.7%.

The Exchange recorded more transactions in terms of transaction volume and Naira votes which significantly rose m-o-m by 22.1% and 32.1% respectively. However, total deals declined by 7.5%; suggestive of relatively greater participation by deep pockets.



## Top Gainers and Bottom Losers

Top 10 Gainers	Prices (N)		
	30-Sep-21	31-Aug-21	%age Δ
Symbol			
MANSARD	2.33	0.88	165%
PHARMDEKO	2.35	1.62	45%
NAHCO	3.60	2.82	28%
UCAP	8.95	7.18	25%
NNFM	8.55	7.30	17%
OANDO [MRF]	5.17	4.43	17%
DANGCEM	280.00	243.00	15%
CONOIL	25.50	22.35	14%
COURTVILLE	0.35	0.31	13%
SKYAVN	4.45	4.05	10%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	30-Sep-21	31-Aug-21	%age Δ
Symbol			
SCOA	0.87	1.44	-40%
LASACO	1.19	1.39	-14%
FTNCOCOA [RST]	0.49	0.57	-14%
JAPAUFGOLD	0.44	0.51	-14%
NPFMCRFBK	1.65	1.90	-13%
HONYFLOUR	3.76	4.28	-12%
GLAXOSMITH	6.10	6.80	-10%
UNITYBNK	0.53	0.59	-10%
REDSTAREX	3.00	3.33	-10%

Source: Nigerian Stock Exchange, Cowry Research

## Additional Listing

Chemical and Allied Products Plc: The Nigerian Exchange Limited (NGX) notified Trading License Holders that, following the conclusion of the Scheme of Merger between Chemical and Allied Products Plc and Portland Paints, the resultant Scheme shares of 88,259,520 ordinary shares of 50 Kobo each were

listed on the Daily Official List of NGX on Friday, 17 September 2021. Consequently, the total issued and fully paid up shares of Chemical and Allied Products Plc increased from 700,000,000 to 788,259,520 ordinary shares of 50 kobo each. Furthermore, the entire 793,415,535 issued and outstanding shares of Portland Paints were delisted from the NGX's Daily Official List effective, 17 September 2021 in accordance with the terms of the Scheme.

## Completion of Share Capital Reconstruction

AXA Mansard Insurance Plc: Trading License Holders were notified that the full suspension placed on trading in the Company's shares was lifted on Monday, 27 September 2021 following the completion of the share capital reconstruction. Consequently, AXA Mansard's entire issued share capital of 36,000,000,000 ordinary shares of 50 Kobo each at 83 Kobo per share was delisted from the Daily Official List of NGX while the 9,000,000,000 ordinary shares of N2.00 each at N3.32 per share arising from the share capital reconstruction were listed on NGX's Daily Official List on the same day.

## Trading Suspension

Chellarams Plc: The NGX notified trading license holders and investors of the suspension of trading in the shares of Chellarams Plc from the facilities of the NGX effective, Thursday, 30 September 2021 having failed to file its Audited Financial Statements for the year ended 31 March 2021 after the expiration of the Cure Period.



## Cowry Monthly Economic Digest: September 2021

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