Monthly Economic & Financial Market Outlook

Easy Money: Time to Create Buffers

Executive Summary

- *Many central banks in both advanced and developing countries are adopting an expansionary monetary policy stance in order to stimulate economic growth*
- *The monetary policy strategies in each country differ:*
    - *The Federal Open Market Committee (FOMC) of the US Federal Reserve System cut the interest rate in July 2019, the first rate cut since 2008*
    - *The Bank of Japan maintains a negative policy rate*
    - *The European Central Bank maintains the interest rate at zero*
    - *The Bank of England, maintains the interest rate at 0.75%, which is considered low compared with the historical average of 3.89% between 2006 and 2009*
    - *The Reserve Bank of South Africa lowered its interest rate in July 2019*
    - *The Central Bank of Nigeria (CBN) also lowered its interest rate in March 2019 and has indicated its preference for a low interest rate, causing yields on fixed income securities to drop*
- *These strategies have created easy money (low cost of funds) in the global financial market and, by extension, in Nigeria*
- *Individuals, companies and governments can now borrow money, both from the local and foreign financial markets, cheaper than in the last few months*
- *The Federal Government of Nigeria (FGN) is refinancing maturing debt obligations and taking on new debt at cheaper rates because of the low interest rate environment*
- *Foreign Portfolio Investors are aggressively investing in fixed income securities with reasonable yields because of the low interest rates in advanced countries and the expectation of a further interest rate cut, particularly in the US*
- *FSDH Research warns that current developments in the global financial market may change, leading to rising interest rates and possible capital flight, particularly from developing countries*
- *Companies and countries need to build buffers to protect themselves*
- *If the current trade tensions between the US and China subside and the economic growth in the two countries returns to an upward trend, there may not be a need for excessive expansionary monetary policy*
- *Developments in the US and China affect the global economy as the two countries account for about 40% of the global economy in terms of Gross Domestic Product (GDP)*
- *US, Euro Area, China, Japan, UK and India collectively account for about 69% of the global economy*
- *If the economic outlook of these regions improves, the low interest rate may change and there may be capital flight from Nigeria*
- *This may hurt the economy and the financial market if there are no buffers in place to counter the negative implications that may follow*
- *The low yield on fixed income securities in Nigeria is already impacting on the total FPI inflows through the Investors' and Exporters' Foreign Exchange Window*
- *Between January and July 2019, Nigeria recorded the lowest FPI through the I&E FX window in July, both in absolute number and as a ratio to the total*
- *Although FSDH Research always advocates for Foreign Direct Investment (FDI) because Foreign Portfolio Investment (FPI) may be regarded as 'hot money', FPI can help in a way to increase the stock of foreign exchange in the country*
- *Companies may wish to issue debt capital at this moment to expand business operations and create additional lines of business that can generate improved earnings*
- *In doing this, it may be important to provide an FX hedging mechanism for foreign loans*
- *The FGN may also take advantage of the current low interest rate to access long-term debt and channel it specifically towards building the capacity of the economy, to generate more revenue*
- *Investment in infrastructure, security, education, healthcare and a social safety net will improve the productivity of the*

country and provide an opportunity for government to increase future tax revenue

- *This strategy will increase the stock of foreign exchange in the country and may reduce inflation rate*
- *The current low interest rate should not be seen as an opportunity for individuals, companies and governments to increase deadweight debt, but an opportunity to access long-term funds that can be used to improve the wellbeing of the economy in order to generate increased revenue for all the economic agents*
- *The low interest rate will not last forever, enjoy it while it lasts!*

Other Macroeconomic Developments:

- *FSDH Research expects the July 2019 inflation rate to drop to 11.01% from 11.22% recorded in June 2019, thanks largely to the harvest season*
- *Crude oil prices continued to hover around the US$60 to US$65/b mark in July 2019*
- *The average price of Bonny Light in July 2019 stood at US$66.24/b compared with the average of US$66.52/b in June 2019*
- *However, the possibility of an escalation of trade tensions between the US and China may raise concerns about global oil demand and ultimately put downward pressure on crude oil prices*
- *The EIA forecasts an average price of Brent crude oil of US$66.51/b and US$67.00/b in 2019 and 2020, respectively*
- *The external reserves continued on its downward trend in July 2019. The decrease in external reserves may be attributed to lower average crude oil prices and lower FPI inflows*
- *The Nigerian Stock Exchange All Share Index (NSE ASI) depreciated further in July 2019, recording the largest month-on-month (M-o-M) depreciation in 2019.*

International Scene:

- *The International Monetary Fund (IMF) revised downwards its global economic growth forecast to 3.2% for 2019, noting that the global growth remains sluggish*
- *This downward revision reflects the trade tensions mainly between the US and China, Brexit-related uncertainty and the effect of rising geopolitical tensions on energy prices*
- *Given the intensified downside risks to global growth, it is unlikely we will see a strong rally in the price of crude oil*
- *Major central banks are expected to take an accommodative monetary policy stance.*

1.0 Easy Money: Time to Create Buffers:

Many central banks in both advanced and developing countries are adopting an expansionary monetary policy stance in order to stimulate economic growth.

Many central banks in both advanced and developing countries are adopting an expansionary monetary policy stance in order to stimulate economic growth. The monetary policy strategies in each country differ. The Federal Open Market Committee (FOMC) of the US Federal Reserve System cut the interest rate in July 2019, the first rate cut since 2008. The Bank of Japan maintains a negative policy rate (the anchor interest rate). The European Central Bank (ECB) maintains the interest rate at zero. The Bank of England (BoE) maintains the interest rate at 0.75%, which is considered low compared with the historical average of 3.89% between 2006 and 2009. The Reserve Bank of South Africa lowered its interest rate in July 2019. The Central Bank of Nigeria (CBN) also lowered its interest rate in March 2019 and has indicated its preference for a low interest rate, causing yields on fixed income securities to drop. These strategies have created easy money (low cost of funds) in the global financial market and by extension, in Nigeria.

Companies and countries need to build buffers to protect themselves from a possible change in current developments.

Individuals, companies and governments can now borrow money, both from the local and foreign financial markets, cheaper than in the last few months. FSDH Research has observed that many banks and other credit providers in Nigeria have recently begun aggressively pushing credit to their customers. Some companies are also refinancing their existing debt obligations at lower interest rates. The Federal Government of Nigeria (FGN) is also refinancing maturing debt obligations and taking on new debt at cheaper rates because of the low interest rate environment. Foreign portfolio investors are aggressively investing in fixed income securities with reasonable yields because of the low interest rates in advanced countries and the expectation of a further interest rate cut, particularly in the US, before the end of 2019. FSDH Research warns that current developments in the global financial market may change, leading to rising interest rates and possible capital flight, particularly from developing countries. Therefore, companies and countries need to build buffers to protect themselves.

Capital flight from Nigeria could damage the Nigerian economy and financial market unless there are buffers in place.

If the current trade tensions between the US and China subside and the economic growth in the two countries returns to an upward trend, there may not be a need for excessive expansionary monetary policy. Central banks in the US, UK, India, and South Africa increased their interest rates last year, following prospects of a stronger global economic outlook. Developments in the US and China affect the global economy as the two countries account for about 40% of the global economy in terms of Gross Domestic Product (GDP). The US, the Euro Area, China, Japan, the UK and India collectively account for about 69% of the global economy. Therefore, economic and financial market signals in these regions will have a direct impact on the global economy and financial market. If the economic outlook of these region improve, the low interest rate may change and there may be capital flight from Nigeria. This could damage the Nigerian economy and financial market unless there are buffers in place to counter the negative implications that may follow.

The low yield on fixed income securities in Nigeria is already impacting on the total Foreign Portfolio Investment (FPI) through the Investors' and Exporters' Foreign

Exchange Window (I&E FX window). Between January and July 2019, Nigeria recorded the lowest FPI through the I&E FX window in July, both in absolute number and as a ratio to the total. Although FSDH Research always advocates for Foreign Direct Investment (FDI) because FPI may be regarded as 'hot money', FPI can help in a way to increase the stock of foreign exchange in the country. This would help to increase foreign exchange stability and curtail inflationary pressure arising from cost-push effects.

Companies may wish to issue debt capital at this moment to expand business operations and create additional lines of business that can generate improved earnings for them. In doing this, it may be important to provide FX hedging mechanisms for foreign loans. When the financial market becomes tight again with rising interest rates, companies may then modify their capital structure in favour of equity capital and hopefully their earnings would have grown in order to eliminate the dilutive effect of increased equity capital on return on equity. The FGN may also take advantage of the current low interest rate to access long-term debt and channel it specifically towards building the capacity of the economy to generate more revenue. Investment in infrastructure, security, education, healthcare and other forms of a social safety net would improve the productivity of the country and provide an opportunity for government to increase future tax revenue. This strategy should increase the stock of foreign exchange in the country and may reduce the inflation rate.

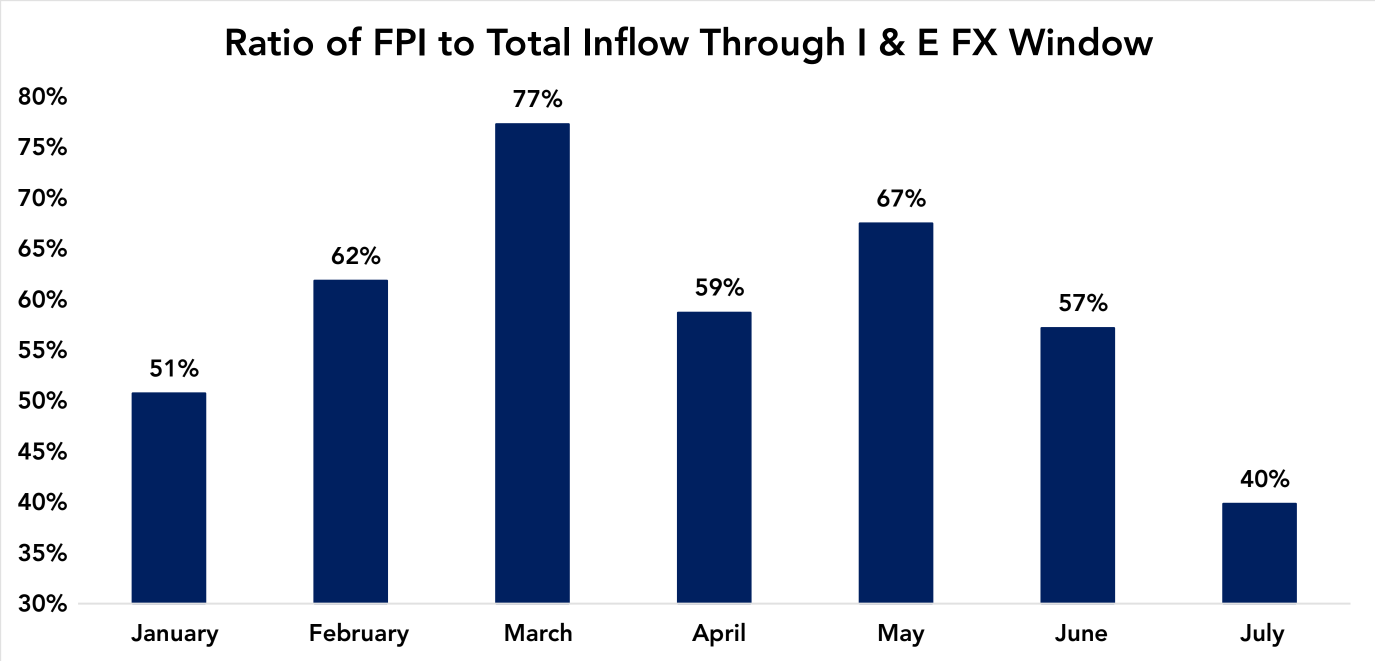
The current low interest rate should not be seen as an opportunity for individuals, companies and governments to increase deadweight debt.

The current low interest rate should not be seen as an opportunity for individuals, companies and governments to increase deadweight debt. Otherwise, the consequences could be very grave. On the contrary, the low interest rate regime should be seen as an opportunity to access long-term funds that can be used to improve the wellbeing of the economy in order to generate increased revenue for all the economic agents. Final words – the low interest rate will not last forever, so enjoy it while it lasts!

Table 1: Policy Rates in Selected Countries

	Japan	Euro Area	United Kingdom	United States*	China	India	South Africa	Nigeria
Jun - 2018	(0.1%)	0%	0.50%	2.00%	4.35%	6.25%	6.50%	14.00%
Jul - 2018	(0.1%)	0%	0.50%	2.00%	4.35%	6.25%	6.50%	14.00%
Aug - 2018	(0.1%)	0%	0.75%	2.00%	4.35%	6.50%	6.50%	14.00%
Sep - 2018	(0.1%)	0%	0.75%	2.25%	4.35%	6.50%	6.50%	14.00%
Oct - 2018	(0.1%)	0%	0.75%	2.25%	4.35%	6.50%	6.50%	14.00%
Nov - 2018	(0.1%)	0%	0.75%	2.25%	4.35%	6.50%	6.75%	14.00%
Dec - 2018	(0.1%)	0%	0.75%	2.50%	4.35%	6.50%	6.75%	14.00%
Jan - 2019	(0.1%)	0%	0.75%	2.50%	4.35%	6.50%	6.75%	14.00%
Feb - 2019	(0.1%)	0%	0.75%	2.50%	4.35%	6.25%	6.75%	14.00%
Mar - 2019	(0.1%)	0%	0.75%	2.50%	4.35%	6.25%	6.75%	13.50%
Apr - 2019	(0.1%)	0%	0.75%	2.50%	4.35%	6.00%	6.75%	13.50%
May - 2019	(0.1%)	0%	0.75%	2.50%	4.35%	6.00%	6.75%	13.50%
Jun - 2019	(0.1%)	0%	0.75%	2.50%	4.35%	5.75%	6.75%	13.50%
Jul - 2019	(0.1%)	0%	0.75%	2.25%	4.35%	5.75%	6.50%	13.50%

*Sources: www.cbrates.com and FSDH Research Analysis *upper limit*



Sources: FMDQ

1.1 Global Developments:

FSDH Research observed a further appreciation in the prices of sovereign bonds in the countries we monitored in July 2019, with the exception of the South Africa and United States Government Bonds.

FSDH Research observed a further appreciation in the prices of sovereign bonds in the countries we monitored in July 2019, with the exception of the South Africa and United States Government Bonds. This may be a reflection of the accommodative monetary policy stance of most major central banks resulting in a drop in rates. The interest on the 8.8% September 2023 Turkey Government Bond continued in July and consequently recorded the highest month-on-month (M-o-M) price increase of 5.71% to 80.40. This was followed by the 16.39% FGN January 2022 Nigeria Government Bond with a price increase of 1.22% to 107.47. All the bonds we monitored recorded positive real yields in July, with the exception of the Turkey Bond. **The Egypt Government Bond offered the most attractive real yield amongst the selected bonds in July.**

The Egypt Government Bond offered the most attractive real yield amongst the selected bonds in July.

The Federal Open Market Committee (FOMC) of the US Federal Reserve System cut the federal funds rates by 0.25% to a target range of 2% - 2.25% at its July 2019 meeting. This was the first reduction in the funds rate since December 2008. The rate cut reflects uncertainties about the economic outlook, given global developments as well as muted inflation pressures. The FOMC did not rule out future cuts as it indicated that it will act appropriately to sustain the expansion. Real Gross Domestic Product (GDP) in the US increased at an annual growth rate of 2.1% in Q2 2019, according to the 'advance estimate' by the US Bureau of Economic Analysis (BEA) released on 26 July 2019, from 3.1% in Q1 2019. Inflation rate in the US fell to 1.6% in June 2019 from 1.8% in May. The food prices rose at a softer pace while energy costs continued to decline. The US unemployment rate remained unchanged from the previous month at 3.7% in July 2019.

The FOMC of the US Federal Reserve System cut the federal funds rates by 0.25% to a target range of 2% – 2.25% at its July 2019 meeting.

Table 2: Summary of Key Indicators

Indicators	China	Egypt	India	Kenya	Nigeria	Russia	South Africa	Turkey	USA
Bond Price	102.12	102.97	105.12	107.49	107.47	101.36	101.01	80.40	99.71
Bond Yield	2.89%	15.57%	6.17%	9.65%	12.79%	6.84%	7.41%	15.32%	1.83%
Bond Price MoM Change	0.10%	0.95%	0.95%	1.14%	1.22%	0.53%	(0.62%)	5.71%	(0.33%)
Bond Yield MoM Change	(0.04%)	(0.47%)	(0.42%)	(0.54%)	(0.67%)	(0.38%)	0.19%	(1.58%)	0.09%
Bond Price YTD Change	(0.00%)	5.94%	2.09%	3.07%	4.03%	1.72%	2.24%	8.65%	2.88%
Bond Yield YTD Change	(0.08%)	(2.57%)	(0.99%)	(1.52%)	(2.20%)	(1.08%)	(0.69%)	(1.66%)	(0.67%)
Real Yield	0.19%	6.17%	2.99%	3.38%	1.57%	2.14%	2.91%	(1.33%)	0.23%
Volatility	0.04	0.20	0.24	0.35	0.67	0.16	0.36	1.98	0.17
FX Rate MoM Change*	0.21%	(0.93%)	(0.33%)	1.80%	0.27%	0.32%	0.60%	(4.43%)	(2.20%)
FX Rate YTD Change*	0.04%	(8.22%)	(1.41%)	2.30%	(0.94%)	(9.38%)	(1.47%)	4.62%	(2.91%)
Inflation Rate	2.70%	9.40%	3.18%	6.27%	11.22%	4.70%	4.50%	16.65%	1.60%
Policy Rate	4.35%	15.75%	5.75%	9.00%	13.50%	7.25%	6.50%	19.75%	2.25%
Debt to GDP	50.50%	90.50%	68.70%	57.00%	21.30%	13.50%	55.80%	30.40%	106.00%
GDP Growth Rate	6.20%	5.60%	5.80%	5.60%	2.01%	0.50%	0.00%	(2.60%)	2.30%
Nominal GDP (US$'bn)	13,608bn	251bn	2,726bn	87.91bn	397bn	1,658bn	366bn	767bn	20,494bn
Current Acct to GDP	0.40%	(2.40%)	(2.30%)	(5.20%)	3.70%	7.00%	(3.50%)	(3.50%)	(2.40%)

**-ve means appreciation while +ve means depreciation*

Sources: Bloomberg, Central Banks of Various Countries; Trading Economics; and FSDH Research Analysis

IMF revised downwards its global economic growth forecast for 2019, noting that the global growth remains sluggish.

The risks to the forecast in 2019 are mostly tilted to the downside and have intensified since April 2019.

1.2 Global Economic Growth:

The International Monetary Fund (IMF) revised downwards its global economic growth forecast for 2019, noting that the global growth remains sluggish. This downward revision is a reflection of trade tensions mainly between the US and China, uncertainties surrounding Brexit and the effect of rising geopolitical tensions on energy prices. The IMF added that GDP announcements so far this year, as well as softening inflation, point to weaker-than-expected global activity. Consequently, the IMF revised downwards its global growth forecast for 2019 and 2020 by 0.1% from its forecast in April 2019 to 3.2% and 3.5% respectively. The projected pick up for 2020 assumes stabilisation in currently stressed emerging markets and developing economies, as well as progress to be made towards resolving trade policy differences. The fund however, revised upward the growth forecast for Nigeria for 2019 from the forecast released in April 2019.

The risks to the forecast in 2019 are mostly tilted to the downside and have intensified since April 2019. The major downside risks include:

- Increase in trade and technology tensions, resulting in slow investment
- Disinflationary pressures that increase difficulties in debt service and make adverse shocks more persistent
- Geopolitical tensions

Given the intensified downside risks to global growth, it is unlikely we will see a strong rally in the price of crude oil. Major central banks are also expected to take an accommodative monetary policy stance.

Table 3: Global Economic Growth Rate (Actual vs Forecast)

					Difference from April 2019 WEO Update	
	2017A	2018E	2019F	2020F	2019F	2020F
Global	3.8%	3.6%	3.2%	3.5%	-0.10%	-0.10%
Advanced Economies	2.4%	2.2%	1.9%	1.7%	0.10%	0.00%
USA	2.2%	2.9%	2.6%	1.9%	0.30%	0.00%
Japan	1.9%	0.8%	0.9%	0.4%	-0.10%	-0.10%
Euro-Area	2.4%	1.9%	1.3%	1.6%	0.00%	0.10%
Emerging Market and Developing Economies	4.8%	4.5%	4.1%	4.7%	-0.30%	-0.10%
China	6.8%	6.6%	6.2%	6.0%	-0.10%	-0.10%
India	7.2%	6.8%	7.0%	7.2%	-0.30%	-0.30%
United Kingdom	1.8%	1.4%	1.3%	1.4%	0.10%	0.00%
Nigeria	0.8%	1.9%	2.3%	2.6%	0.20%	0.10%
South Africa	1.4%	0.8%	0.7%	1.1%	-0.50%	-0.40%

Source: IMF World Economic Outlook (WEO) Update, July 2019

1.3 Nigeria Has Room for More Public Debt, FSDH Research Insists:

Nigeria can still increase its public debt; however, more accountability is required in the use of the borrowed fund.

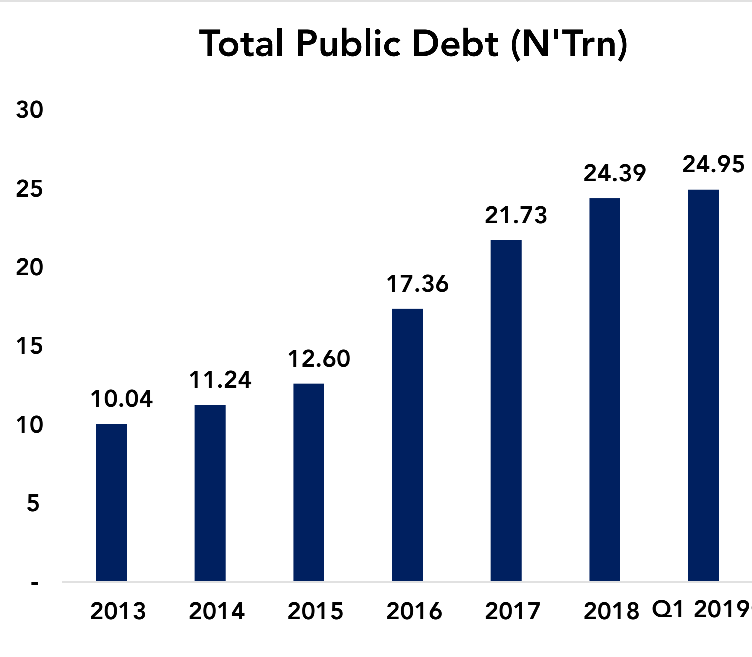
Government Revenue and interest expenses also need to be properly matched.

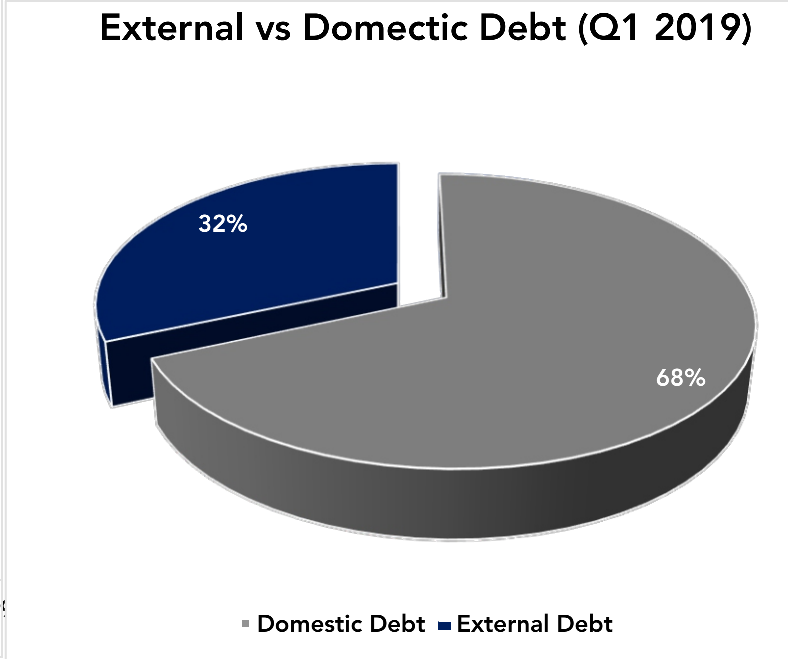
FSDH Research recommends that the DMO considers the issuance of discount bonds (zero coupon bonds) to manage the interest expenses of the FGN in the short-term.

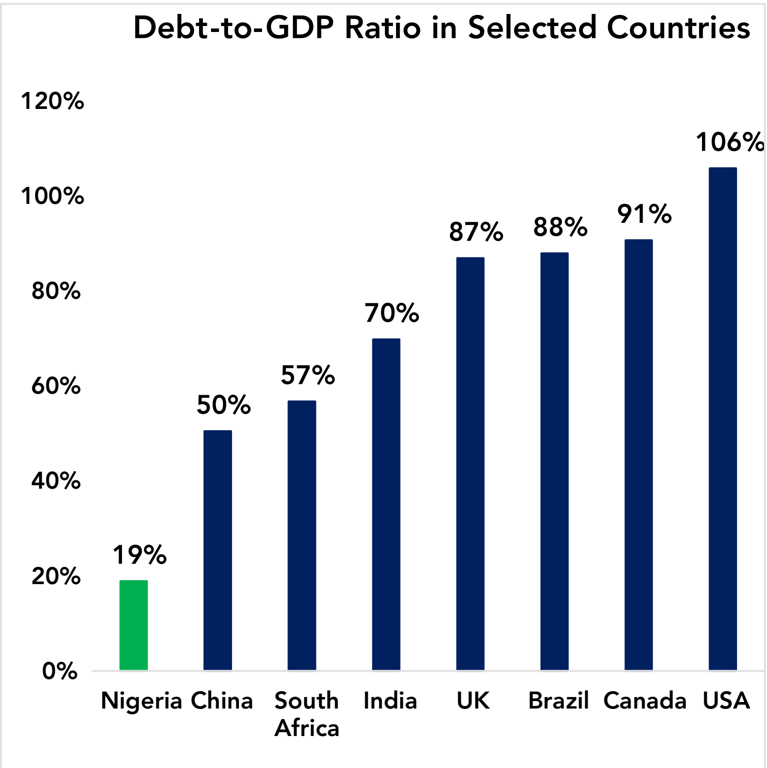
Most of the recent arguments surrounding Nigeria's public debt the Debt Management Office (DMO) published on 10 July 2019 for Q1 2019 focus on the increase of N560billion. Little has been said about the real issue, which is the ability of the Federal Government of Nigeria (FGN) to service the debt from the current low revenue and, more importantly, to offer solutions or ideas on how the government can manage its debt portfolio in the short-term, taking advantage of the opportunities the financial market present. FSDH Research concludes that Nigeria can still increase its public debt, however more accountability is required in the use of the borrowed fund. Government Revenue and interest expenses also need to be properly matched.

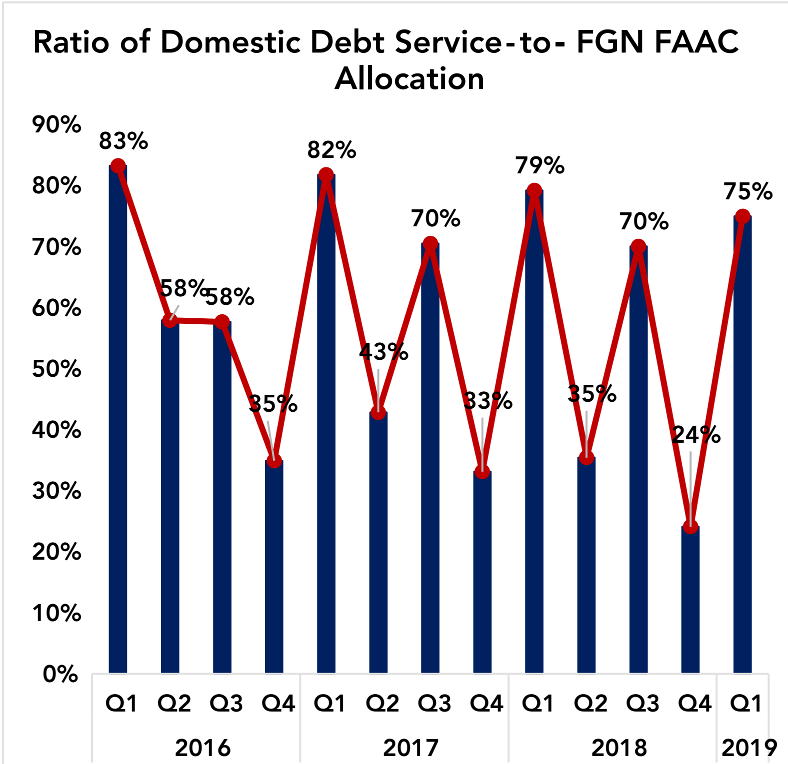
In reviewing Nigeria's debt profile, FSDH Research observes that the level of debt has been on the increase over the years. As at the end of March 2019, the total public debt increased to N24.95trillion from N24.39trillion as at December 2018. For a country with a Gross Domestic Product (GDP) of over N130trillion, that debt level is not too much. The debt-to-GDP ratio is 19.03%, which is below both the 25% benchmark set by the FGN and the 56% international threshold set for countries in Nigeria's economic peer group. Therefore, Nigeria is actually under borrowing at the current level. The main problem, however, is the country's ability to service the debt without causing untold hardship on the country.

FSDH Research notes that the current high debt service to revenue structure in Nigeria is unsustainably high and the high figure is due to the low revenue of the country. FSDH Research recommends that the DMO considers the issuance of discount bonds (zero coupon bonds) to manage the interest expenses of the FGN in the short-term. **However, we cannot over stress the importance for loans to be tied to specific projects which will increase the competitiveness of the Nigerian economy to attract investments, create job opportunities and generate diversified revenue for the country.**









Sources: Debt Management Office (DMO), International Monetary Fund (IMF), and National Bureau of Statistics (NBS)

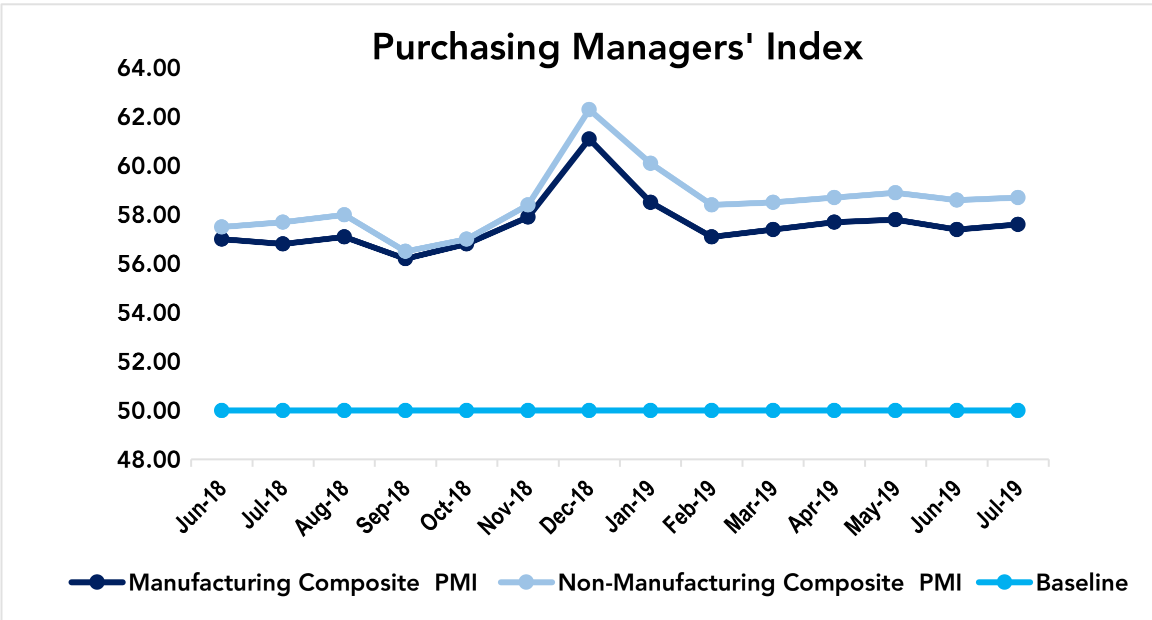
1.4 Purchasing Managers' Index (PMI):

The Manufacturing and Non-Manufacturing PMI increased at a faster rate in July 2019 compared with the June levels, following the slower M-o-M increase in June.

The Manufacturing and Non-Manufacturing PMI increased at a faster rate in July 2019 compared with the June levels, following the slower M-o-M increase in June. The overall Manufacturing PMI was 57.6 points in July, a higher growth rate than 57.4 points recorded in June 2019. This was attributed to the pickup in the expansion of new orders, raw material inventory and new export orders. However, production levels and the employment level expanded at a slower pace than in June 2019.

Similarly, the Non-Manufacturing PMI expanded at a faster pace in July 2019 and stood at 58.7 points. The level of new orders and inventory in the non-manufacturing sector expanded at a faster rate than in the previous month. However, business activity, the employment level and new export orders in the non-manufacturing sector expanded at a slower pace than in June.

The PMI figures are higher than the corresponding figures in 2018. As a result, we expect the Gross Domestic Product (GDP) growth rate in the Q2 2019 to be higher than what was recorded in Q1 2019. Based on the data release calendar on the website of the National Bureau of Statistics (NBS), the NBS will release the Q2 GDP figures on 03 September 2019.



Source : Central Bank of Nigeria

1.5 Inflation Rate:

FSDH Research expects the July 2019 inflation rate to drop to 11.01% from 11.22% recorded in June 2019.

FSDH Research expects the July 2019 inflation rate to drop to 11.01% from 11.22% recorded in June 2019, thanks largely to the harvest season. If our prediction is correct, this will be the second consecutive month for the inflation rate to have dropped and the lowest inflation rate recorded in Nigeria since February 2016. The NBS is scheduled to release the July 2019 inflation figure on Friday, 16 August 2019.

The inflation rate target of the CBN is between 6% and 9%. As noted in our previous inflation reports, it is unlikely that Nigeria will achieve a single-digit rate of inflation in the short-term. We must also note that an increase in the inflation rate is not entirely bad, as a reasonable increase in general prices is important to encourage production. No manufacturer will be encouraged to produce in an environment when the prices of the goods that are produced are going down. What most countries and central banks are guarding against is an excessive increase in general prices.

Table 4: Inflation Rate Actual Vs. Forecast

Month	Jan-19A	Feb-19A	Mar-19A	Apr-19A	May-19A	Jun-19A	Jul- 19F	Aug-19F	Sep-19F	Oct-19F	Nov-19F	Dec-19F
Inflation Rate	11.37%	11.31%	11.25%	11.37%	11.40%	11.22%	11.01%	10.85%	10.75%	10.83%	10.87%	11.15%

Sources: National Bureau of Statistics and FSDH Research Analysis.
A-Actual, F – Forecast

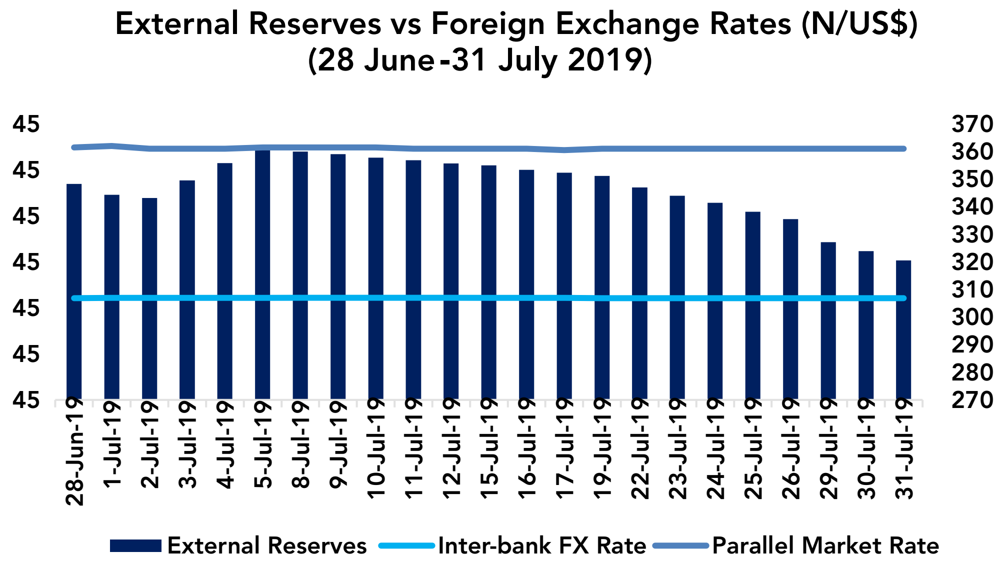
The external reserves continued on a downward trend in July 2019.

The decrease in the external reserves may be attributed to lower average crude oil prices and lower FPI inflows.

1.6 Movement in the External Reserves:

The external reserves continued on a downward trend in July 2019. The decrease in the external reserves may be attributed to lower average crude oil prices and lower FPI inflows. However, FSDH Research notes that, at its current level, the external reserves still provides short-term support for the value of the Naira. According to the CBN, the external reserves position is enough to cover about 13 months of imports.

However, we reiterate that the medium-term stability in the foreign exchange market will depend on the country's ability to diversify its foreign exchange income. The 30-Day moving average external reserves decreased by 0.37%, from US$45.07bn at end-June to US$44.90bn at end-July 2019.



Sources: Central Bank of Nigeria (CBN), FMDQ and Cash Hunters

There was a decline in FPI inflows, this may be a reflection of lower yields in the fixed income securities market.

1.7 Currency Transaction at the I&E Window:

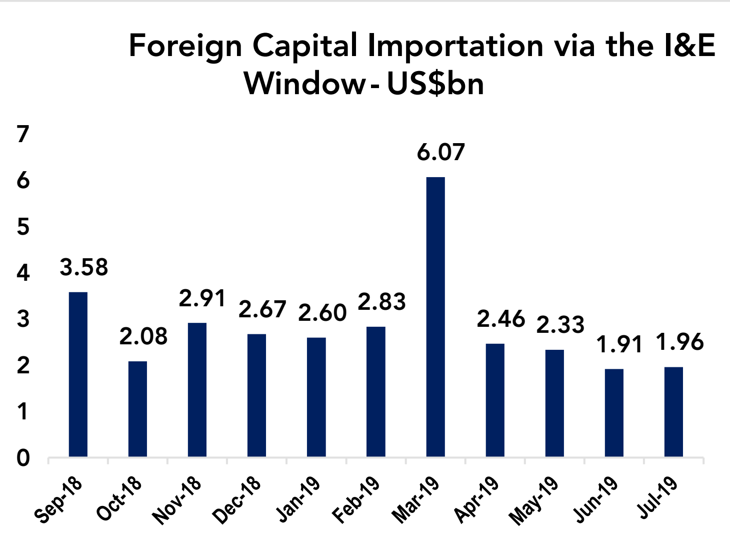
There was a marginal increase in capital importation via the Investors' and Exporters' Foreign Exchange Window (I&E window) in July 2019, following a drop in June 2019. However, there was a decline in Foreign Portfolio Investment (FPI) via the I&E window in July. This may be a reflection of lower yields in the fixed income securities market. According to data obtained on Friday, 2 August 2019 from the FMDQ OTC Securities Exchange, contribution from FPI in July stood at US$0.78bn, the lowest inflow recorded in 2019, and accounted for 39.83% of total inflows. FSDH Research reiterates that it is imperative that Nigeria implements measures to attract Foreign Direct Investment (FDI) as there has been a consistent decline in the FDI.

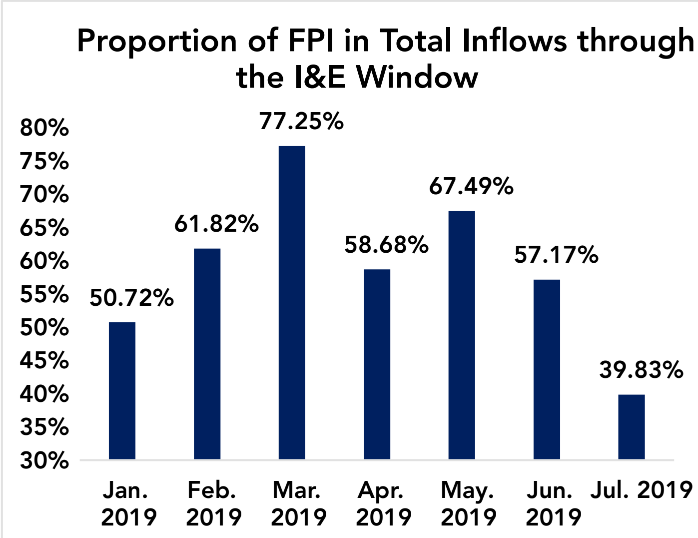
Total capital importation through the I&E window in July 2019 stood at US$1.96bn, marginally up from US$1.91bn. From inception to July 2019, capital importation through the I&E totalled U$68.80bn.

Table 5: Foreign Capital Importation through the I & E Window

	April		May		June		July	
Source	**Value ($'bn)**	**PT**	**Value ($'bn)**	**PT**	**Value ($'bn)**	**PT**	**Value ($'bn)**	**PT**
FDIs	0.16	6.54%	0.11	4.69%	0.09	4.48%	0.06	3.09%
FPIs	1.44	58.68%	1.57	67.49%	1.09	57.17%	0.78	39.83%
Other Corporates	0.03	1.17%	0.07	2.95%	0.07	3.82%	0.05	2.35%
CBN	0.01	0.41%	-	0.00%	-	0.00%	0.54	27.43%
Exporters	0.08	3.32%	0.08	3.29%	0.07	3.69%	0.07	3.39%
Individuals	0.004	0.17%	0.006	0.27%	0.004	0.22%	0.005	0.23%
Non-Bank Corporates	0.73	29.71%	0.50	21.31%	0.59	30.62%	0.46	23.66%
Total	**2.46**	**100%**	**2.33**	**100%**	**1.91**	**100%**	**1.96**	**100.00%**

Source: FMDQ; PT – Proportion of Total *N/A: Not Applicable





Source: FMDQ

1.8 Crude Oil Market and Bonny Light Price:

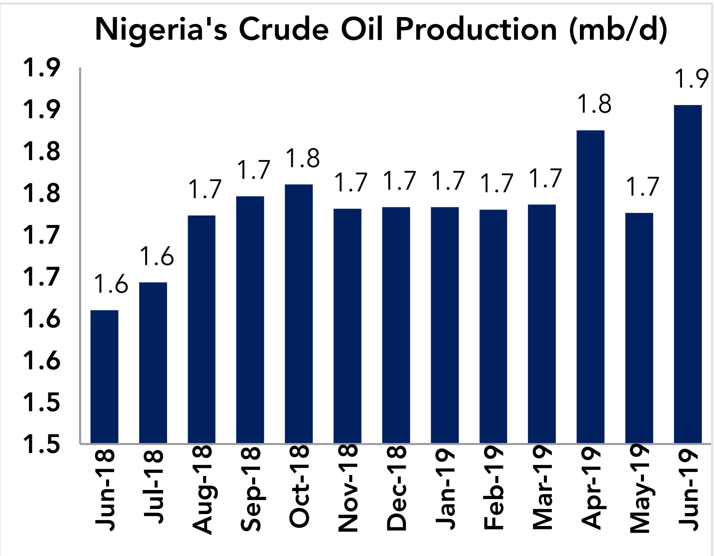
The possibility of an escalation of trade tensions between the US and China may raise concerns about global oil demand and ultimately put downward pressure on crude oil prices.

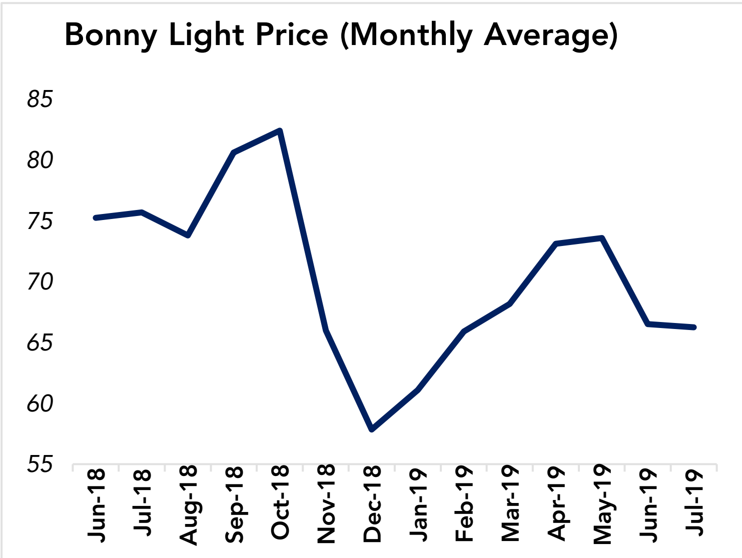
Crude oil prices continued to hover around the US$60/b – US$65/b mark in July 2019. This could be mostly attributed to the Organization of Petroleum Exporting Countries (OPEC) extension of the crude oil supply cut until March 2020. However, the possibility of an escalation of trade tensions between the US and China may raise concerns about global oil demand and ultimately put downward pressure on crude oil prices. The average price of Bonny Light in July 2019 stood at US$66.24/b compared with the average of US$66.52/b in June.

The daily crude oil production in Nigeria increased by 7.47% to 1.86mb/d in June 2019.

The US Energy Information Administration (EIA), in its monthly report for July 2019, revised downward its forecast of the average Brent crude oil price for 2019, for the second consecutive month. It did, however, maintain the forecast for 2020. The forecast reflects concerns over rising uncertainty about global oil demand growth in the first half of the year. However, there are expectations of a relatively balanced market in the second half of the year. The EIA forecasts an average price of Brent crude oil of US$66.51/b and US$67.00/b in 2019 and 2020, respectively. The forecast is lower than the average price of Brent in 2018, which was US$71.19/b

According to secondary data available from OPEC's report for the month of July 2019, the daily crude oil production in Nigeria increased by 7.47% to 1.86mb/d in June 2019, from 1.73mb/d in May. However, this is still below the 2019 budget benchmark of 2.3 mb/d.





mb/d - million barrels per day

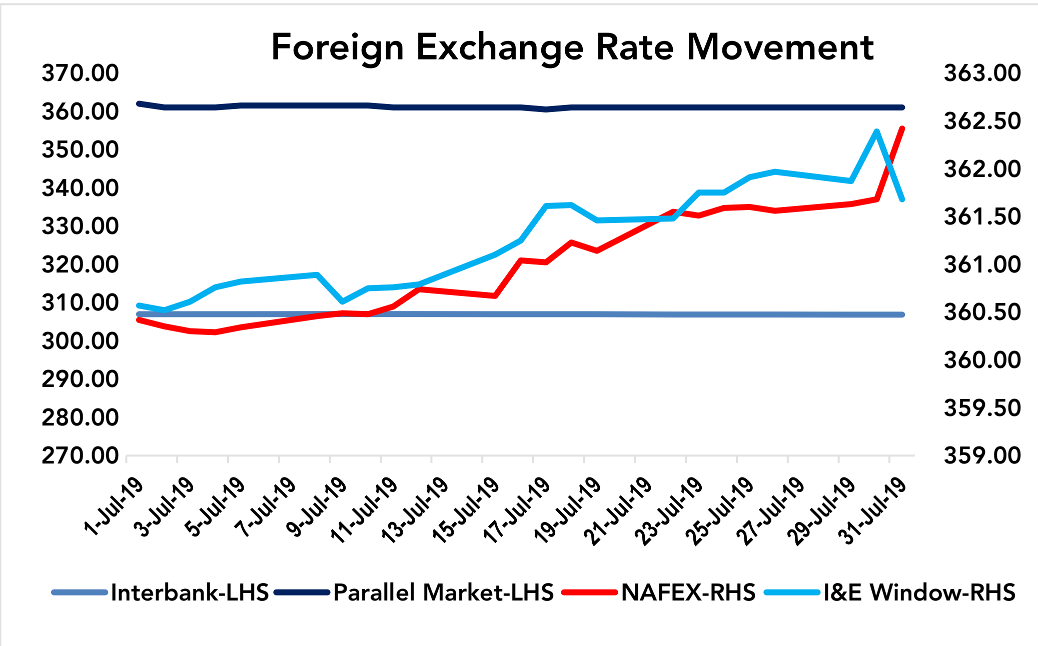
Sources: OPEC and Thomson Reuters

The value of the Naira remained relatively stable in July and appreciated in some markets.

1.9 Foreign Exchange Rate:

The value of the Naira remained relatively stable in July and even appreciated in some markets. Relative stability in the crude oil price and external reserves has provided support for the Naira. There was a further appreciation in the value of the Naira in the inter-bank and parallel markets, while the value depreciated in the I&E Window. The premium between the inter-bank and parallel markets reduced marginally in July 2019 compared with June 2019.

Month-on-month, the value of the Naira depreciated by 0.26% to close at N361.68/US at the I&E window while it appreciated by 0.14% to close at N361.00/US$ at the parallel market at the end of July compared with June 2019. At the inter-bank market, it appreciated marginally by 0.02% to stand at N360.85/US$ at end-July. The highest rates recorded across the inter-bank, parallel market and I&E window in July were N307.00/US$, N362/US$ and N362.39/US$ respectively. The lowest values were N306.85/US$, N360.50/US$ and N360.52/US$ respectively.



Sources: FMDQ and Cash Hunters

2.0 Interest Rate and Yield Analysis:

The yields on the fixed income securities recorded mixed performances in July 2019, compared with June 2019.

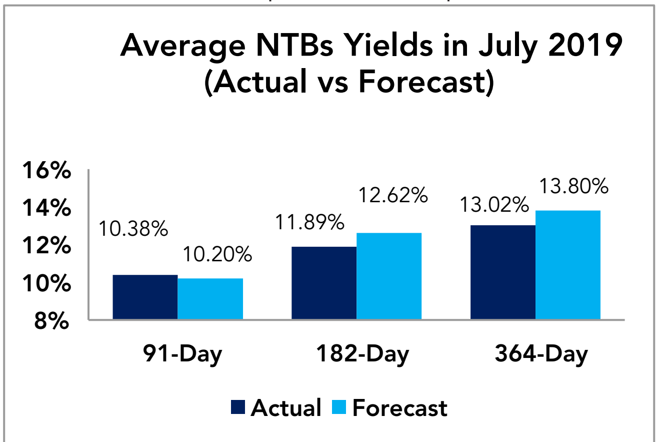
The yields on fixed income securities recorded mixed performances in July 2019, compared with June 2019. The yields on the Nigerian Inter-Bank Offered Rates and the FGN Bonds we monitored dropped. However, the yields on the Nigerian Government Treasury Bills (NTBs) recorded varying movements. The movements reflected the liquidity conditions in the financial system. The major drivers of the yields were:

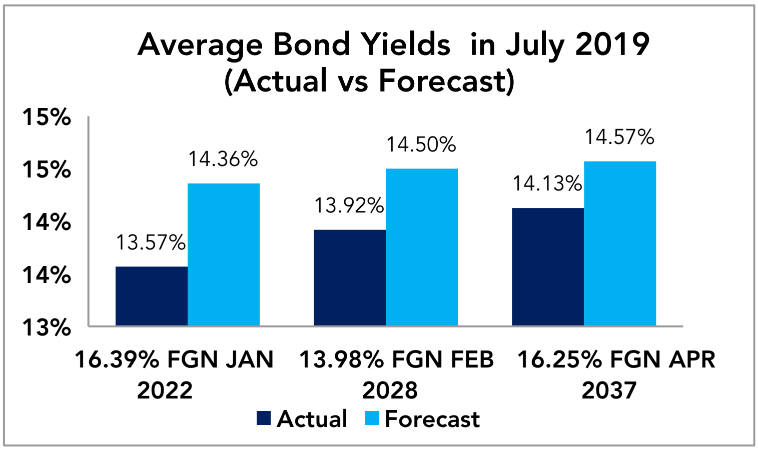
- **The low interest rate and yields in advanced markets**
- **The strategy of the CBN that favours a low interest rate environment to boost economic growth**
- **Dearth of alternative investment instruments**
- **Decline in inflation rate**

The yields on all the FGN Bonds that we monitored declined in July compared with June.

The fixed income market analysis for the month of July 2019 shows an increase in net outflows of N1.01trn, compared with N321bn in June. The major outflows in July were the Open Market Operations (OMO) and Repurchase (REPO) Bills of N739bn, CBN's Foreign Exchange Sale of N618bn, Primary Nigerian Treasury Bills (NTBs) of N419bn and the FGN Bond auction of N74bn. Meanwhile, in June 2019, the major outflows were the OMO and REPO of N476bn, CBN's Foreign Exchange Sale of N567bn, Primary NTBs of N147bn and the FGN Bond auction of N97bn. The major inflows in July were the matured OMO and REPO Bills of N301bn, matured NTBs of N196bn, and the Federation Account Allocation Committee (FAAC)'s injection of about N340bn. The major inflows in June were the matured OMO and REPO Bills of N472bn, matured NTBs of N159bn, and the FAAC's injection of about N335bn.

At the NTBs auction, average yield on the 91-Day NTB increased to 10.38% in July, up from 10.05% recorded in June. The average 182-day NTB yield closed at11.89%, down from 12.67% in June. The average 364-Day NTB yield stood at 13.02% in July, down from 13.86% in June. The average 30-Day, 90-Day and 180-day NIBOR decreased in July compared with June. The average 30-Day NIBOR closed at 11.01% in July 2019, down from 12.00% in June 2019. The average 90-Day NIBOR decreased to 11.80%, from 12.90% in the preceding month, while 180-day NIBOR decreased to 12.83% in July 2019, from 13.90% in June. The yields on all the FGN Bonds that we monitored also declined in July compared with June. The yields on the 2022, 2028 and 2037bonds lost 0.82%, 0.61% and 0.48% of their value respectively compared with June 2019.





Sources: FMDQ, Central Bank of Nigeria (CBN), and FSDH Research

Table 6: Market Liquidity (N'bn)						
	June 2019			July 2019		
	Total Inflow	Total Outflow	Net Flow	Total Inflow	Total Outflow	Net Flow
Primary Market: NTB	159	147	12	196	419	(223)
Open Market Operations & Rev Repo	472	476	(4)	301	739	(438)
Bond	0	97	(97)	0	74	(74)
FAAC	335	0	335	340	0	340
FX Market	0	567	(567)	0	618	(618)
CRR Debit/Credit	0	0	0	0	0	0
TSA Implementation	0	0	0	0	0	0
Total	**966**	**1,287**	(321)	837	**1,850**	**(1,013)**
Sources: Central Bank of Nigeria and Federal Ministry of Finance						

Table 7: Average Bond Yields			
	16.39% FGN JAN 2022	13.98% FGN FEB 2028	16.25% FGN APR 2037
June 2019	14.38%	14.52%	14.60%
July 2019	13.57%	13.92%	14.13%
Change	**(0.82%)**	**(0.61%)**	**(0.48%)**
Source: Financial Market Dealers Quotation (FMDQ)			

Table 8: Average Interest Rate and Yields							
	NIBOR				Treasury Bill Yields		
	Call	30-Day	90-Day	180-Day	91-Day	182-Day	364-Day
June 2019	8.28%	12.00%	12.90%	13.90%	10.05%	12.67%	13.86%
July 2019	8.89%	11.01%	11.80%	12.83%	10.38%	11.89%	13.02%
Change	**0.61%**	**(0.99%)**	**(1.10%)**	**(1.07%)**	**0.34%**	**(0.78%)**	**(0.84%)**
Sources: CBN and FMDQ							

2.1 Revised Outlook Going Forward:

FSDH Research expects a total inflow of about N1.54trn to hit the money market from various maturing government securities and the FAAC in August 2019. We estimate a total outflow of approximately N1.45trn from various sources, leading to a net inflow of about N89.81bn. We expect the inflation rate in July 2019 to trend downward from the level recorded in June 2019. Yields on fixed income securities may trend higher in August 2019 because of the declining crude oil price and the uncertain global economy.

The following factors will continue to influence yields on fixed income securities in August 2019:

- Expected decline in the inflation rate in July 2019
- Liquidity in the financial market and stability in the foreign exchange market
- Crude oil price has dropped by US$10/b since July and 07 August 2019
- Low yields in the international market occasioned by rate cut
- Government borrowing needs to fund the 2019 Budget deficit

Table 9 : Expected Inflow and Outflow Analysis – August 2019 (N'bn)

Date	01-Aug-19	08-Aug-19	15-Aug-19	22-Aug-19	29-Aug-19	Others*	Total
Inflows	311.87	109.81	83.41	92.31	601.90	340.71	1,540.02
Outflows	223.22	-	34.38		368.60	479.00	1,450.21
Net flows	**88.65**	**109.81**	**49.03**	**92.31**	**233.30**	**(138.29)**	**89.81**

*Source: FSDH Research Analysis, *Statutory Allocation (FAAC), and Cash Reserve Requirement (CRR) Debit*

Table 10: Revised Average Yields – Actual vs Forecast

	Treasury Bills (Primary Market)			FGN Bonds (Secondary Market)		
	91-Day	192-Day	364-Day	Jan-22	Feb-28	Apr-37
Jan-19A	11.27%	14.17%	17.41%	15.07%	15.43%	15.23%
Feb-19A	11.24%	14.14%	17.18%	14.84%	14.78%	14.54%
Mar-19A	10.81%	13.16%	14.41%	14.45%	14.24%	14.15%
Apr-19A	10.49%	13.39%	14.67%	14.28%	14.54%	14.42%
May-19A	10.26%	13.04%	14.26%	14.47%	14.35%	14.41%
Jun-19A	10.05%	12.67%	13.86%	14.38%	14.52%	14.60%
Jul-19A	10.38%	11.89%	13.02%	13.57%	13.92%	14.13%
Aug-19F	10.37%	11.91%	13.03%	13.53%	13.93%	14.16%
Sep-19F	10.40%	11.94%	13.06%	13.55%	13.95%	14.19%
Oct-19F	10.48%	12.02%	13.14%	13.63%	14.03%	14.27%
Nov-19F	10.51%	12.05%	13.17%	13.67%	14.07%	14.30%
Dec-19F	10.79%	12.33%	13.45%	13.95%	14.35%	14.58%

Sources: CBN, FMDQ, and FSDH Research Forecasts

Investors to position in Eurobonds whose prices are lower than their respective par value.

The current yields on all the FGN Eurobonds are lower than their respective coupons.

2.2 Investment Strategies:

1. **Investors should position for opportunities in Commercial Paper investment**
2. **Investors should trade in the short-end of Treasury Bills and Bonds to enable them to respond quickly to market changes**
3. **Investors may plan to position in Eurobonds whose prices are lower than their respective par value**
4. **Investors should maintain a balanced portfolio in other fixed income securities, particularly in bonds, in order to minimise reinvestment risks**

The average prices on FGN Eurobonds were higher in July 2019 than in June 2019, on all the selected bonds. Generally, the attractiveness of the yields on the FGN Euro Bond compared with similar risk-profiled bonds and improved investors' sentiments in Nigeria led to the increase in the demand and price in July 2019. The current yields on all the FGN Eurobonds are lower than their respective coupons. The bonds may continue to enjoy high patronage until there is a reversal in the yield movement for the advanced countries.

Table 11: FGN Eurobonds

	15-Year 7.875% FGN Eurobond February 2032		10-Year 6.75% FGN Eurobond January 2021		10-Year 6.375% FGN Eurobond July 2023		5-Year 5.625% FGN Eurobond June 2022	
Date	Price (US$)	Yield	Price (US$)	Yield	Price (US$)	Yield	Price (US$)	Yield
01-Jul-19	106.74	7.06%	104.67	3.66%	106.51	4.58%	104.03	4.18%
02-Jul-19	106.18	7.12%	104.63	3.67%	106.37	4.62%	103.99	4.19%
03-Jul-19	106.38	7.10%	104.54	3.72%	106.40	4.61%	103.91	4.21%
04-Jul-19	106.72	7.06%	104.40	3.81%	106.43	4.60%	103.88	4.22%
05-Jul-19	106.26	7.11%	104.41	3.80%	106.51	4.58%	103.97	4.19%
08-Jul-19	105.53	7.20%	104.39	3.81%	106.44	4.60%	103.94	4.20%
09-Jul-19	104.75	7.29%	104.40	3.80%	106.14	4.68%	103.68	4.29%
10-Jul-19	105.42	7.21%	104.22	3.91%	106.31	4.63%	103.75	4.26%
11-Jul-19	105.51	7.20%	104.22	3.89%	106.37	4.61%	103.78	4.25%
12-Jul-19	105.32	7.22%	104.18	3.91%	106.29	4.63%	103.73	4.26%
15-Jul-19	105.75	7.17%	104.36	3.79%	106.36	4.61%	103.90	4.20%
16-Jul-19	106.04	7.14%	104.34	3.80%	106.44	4.59%	103.86	4.22%
17-Jul-19	106.21	7.12%	104.26	3.85%	106.54	4.56%	103.98	4.17%
18-Jul-19	105.86	7.16%	104.22	3.86%	106.55	4.55%	103.95	4.18%
19-Jul-19	106.25	7.11%	104.22	3.85%	106.62	4.53%	103.95	4.18%
22-Jul-19	106.25	7.11%	104.23	3.84%	106.66	4.52%	103.98	4.17%
23-Jul-19	107.11	7.01%	104.25	3.83%	106.98	4.43%	104.10	4.12%
24-Jul-19	107.84	6.93%	104.32	3.77%	107.18	4.38%	104.39	4.01%
25-Jul-19	108.33	6.87%	104.32	3.76%	107.28	4.35%	104.42	4.00%
26-Jul-19	107.24	7.00%	104.22	3.82%	106.96	4.43%	104.26	4.06%
29-Jul-19	106.69	7.06%	104.14	3.87%	106.83	4.47%	104.20	4.08%
30-Jul-19	106.21	7.12%	104.03	3.94%	106.70	4.50%	104.08	4.12%
31-Jul-19	106.42	7.09%	104.08	3.90%	106.75	4.49%	104.17	4.09%

Source: Bloomberg

3.0 Equity Market:

3.1 The Secondary Market:

The NSE ASI recorded the largest m-o-m depreciation in 2019 in July.

The Nigerian Stock Exchange All Share Index (NSE ASI) depreciated further in July 2019, recording the largest M-o-M depreciation in 2019. The NSE ASI depreciated by 7.50% (a depreciation of 7.76% in US Dollar) to close at 27,718.26 points. Year-to-date (YTD), the Index depreciated by 11.81%. The market capitalisation recorded a M-o-M gain of 2.29% (a gain of 2.03% in US Dollar) to close at N13.51trn (US$37.35bn). **The difference in the rate of change between the market capitalisation and the Index was due to the listing of 3,758,151,504 ordinary shares of Airtel Africa Plc. Additionally, 2,110,359,242 ordinary shares of First Aluminium Nigeria Plc were voluntarily delisted.**

Despite an increase in the number of deals in the equity market in July, there was a decrease in value and volume of transactions.

Despite an increase in the number of deals in the equity market in July, there was a decrease in value and volume of transactions. The volume of stocks traded decreased by 57.12% to 4.67bn in July 2019. UBA Plc (460.12mn), Zenith Bank Plc (449.4mn), FBN Holdings Plc (446.34mn), GT Bank Plc (393.13mn), and Courteville Business Solutions Plc (311.25mn) were the five most highly traded stocks in July. Similarly, the value of stocks traded on the NSE in July decreased by 62.03% to N56bn, from N147.48bn in June.

All the NSE Sectoral Indices depreciated further in July.

All the NSE Sectoral Indices depreciated further in July. The NSE Consumer Goods Index recorded the highest M-o-M depreciation of 11.85%, with a YTD depreciation of 26.74%, mainly attributable to the decrease in share prices of Nigerian Breweries Plc (20.63%), Dangote Sugar (13.66%) and Nestle Nigeria Plc (8.63%). The NSE Oil and Gas Index recorded the second highest M-o-M depreciation of 10.80% and a YTD depreciation of 25.26%. This depreciation can be attributed to a drop in the share prices of Forte Oil Plc (26.68%), Total Nigeria Plc (23.47%) and Seplat Plc (7.55%).

Table 12: Nigerian Equity Market: Key Indicators

Month	Volume (bn)	Value (N'bn)	NSEASI	Market Cap. (N'trn)	Banking*	Insurance*	Consumer Goods*	Oil/Gas*	Industrial*
June	10.88	147.48	29,966.87	13.21	366.87	123.75	622.33	253.23	1,087.80
July	4.67	56.00	27,718.26	13.51	333.14	115.74	548.59	225.88	1,073.70
Change	(57.12%)	(62.03%)	(7.50%)	2.29%	(9.19%)	(6.47%)	(11.85%)	(10.80%)	(1.30%)
YTD			(11.81%)	15.25%	(16.49%)	(8.49%)	(26.74%)	(25.26%)	(13.26%)

*Sources: NSE and FSDH Research. * NSE Sectoral Indices*

Table 13: Major Earning Announcements in July 2019						
Company and Result	**Turnover (Nm)**	**Change (%)**	**PBT (Nm)**	**Change (%)**	**PAT (Nm)**	**Change (%)**
LAFARGE AFRICA PLC.						
6 Months, June 2019	160,296.27	(1.23%)	9,274.05	246.15%	9,008.89	330.86%
FLOUR MILLS NIG. PLC						
3 Months, June 2019	134,745.26	1.29%	5,502.00	5.54%	4,236.54	16.09%
MTN NIGERIA PLC						
6 Months, June 2019	566,946.04	12.12%	141,797.38	30.86%	98,930.96	34.79%
UNILEVER NIGERIA PLC						
6 Months, June 2019	42,657.50	(11.36%)	4,697.80	(37.74%)	3,514.80	(38.54%)
ECOBANK TRANSNATIONAL INCORPORATED						
6 Months, June 2019	405,201.84	5.36%	73,433.91	12.80%	58,294.44	13.43%
UNILEVER NIGERIA PLC						
6 Months, June 2019	42,657.50	(11.36%)	4,697.80	(37.74%)	3,514.80	(38.54%)
TOTAL NIGERIA PLC						
6 Months, June 2019	150,830.33	(3.48%)	202.09	(97.66%)	129.98	(97.71%)
FCMB GROUP PLC						
6 Months, June 2019	89,786.04	6.98%	8,815.85	24.08%	7,529.71	31.50%
OKOMU OIL PALM PLC						
6 Months, June 2019	8,565.46	(33.80%)	2,835.15	(59.18%)	2,528.95	(57.45%)
WEMA BANK PLC						
6 Months June 2019	40,835.29	27.48%	2,607.99	43.70%	2,248.36	43.21%
SEPLAT PLC						
6 Months, June 2019	108,970.00	3.98%	36,956.00	(0.39%)	37,496.00	152.60%
FBN HOLDINGS PLC (First Bank)						
6 Months, June 2019	294,231.00	0.31%	39,871.00	2.56%	31,641.00	(5.48%)
WAPIC INSURANCE PLC						
6 Months, June 2019	8,664.99	24.38%	400.81	66.64%	305.02	392.68%
C & I LEASING PLC						
6 Months, June 2019	16,255.71	27.24%	909.16	25.75%	866.85	27.08%
UPDC REAL ESTATE INVESTMENT TRUST (REIT)						
6 Months, June 2019	1,163.69	4.77%	949.04	3.39%	949.04	3.39%
Source: NSE						

Table 14 : Major Earning Announcements in July 2019					
Company	**Result**	**DPS(N)**	**Closure Date**	**Payment Date**	**Interim/final**
LEARN AFRICA PLC	15Months Mar. 2019	0.15	23-Sep-19	18-Oct-19	Final
UNIVERSITY PRESS PLC	Full year, Mar. 2019	0.15	02-Sep-19	26-Sep-19	Final
TRIPLE GEE AND COMPANY PLC	Full Year, Mar 2019	0.05	02-Sep-19	18-Sep-19	Final
MTN NIGERIA PLC	6 months, Jun. 2019	2.95	19-Aug-19	16-Aug-19	Interim
CUTIX PLC	Full year, April 2019	0.13	14-Oct-19	30-Oct-19	Final
CUSTODIAN INVESTMENT PLC	6 months, Jun. 2019	0.10	19-Aug-19	05-Sep-19	Interim
Source: NSE; *DPS– Dividend Per Share					

All the stock markets that we monitored in North/Latin America appreciated in July 2019.

All the stock markets that we monitored in North/Latin America appreciated in July 2019. In contrast, all the stock markets we monitored in Africa declined in July. In Europe, most stock markets declined with the exception of the Swiss Market Index and the FTSE 100 Index. In Asia, the Nikkei 225 Index was the only index that recorded an appreciation in July. For the second consecutive month, the NASDAQ Composite recorded the highest M-o-M appreciation of 2.11%, with a YTD appreciation of 23.21%. The NSE All-Share Index recorded the largest depreciation in July 2019.

Table 15: Foreign Equity Market Performance in July 2019

North/Latin America	**YTD Change**		**Month-on-Month Change**
Dow Jones Industrial Average	15.16%		0.99%
S&P 500 Index	18.89%		1.31%
NASDAQ Composite	23.21%		2.11%
Brazil Stock Market Index	15.84%		0.84%
Europe			
Swiss Market Index	17.68%		0.21%
FTSE 100 Index (UK)	12.76%		2.17%
CAC 40 Index (France)	16.66%		(0.36%)
DAX Index (Germany)	15.44%		(1.69%)
SMSI Index (Madrid, Spain)	5.32%		(1.91%)
Africa			
NSE-All Share Index	(11.81%)		(7.50%)
FTSE/JSE Africa All Share Index	7.68%		(2.44%)
Nairobi All Share Index (Kenya)	5.57%		(0.91%)
GSE Composite Index (Ghana)	(8.77%)		(2.02%)
Asia/Pacific			
NIKKEI 225 Index (Japan)	7.53%		1.15%
S&P BSE SENSEX Index (India)	3.92%		(4.86%)
Shanghai Stock Exchange Composite Index (China)	17.59%		(1.56%)
Hang Seng Index (Hong Kong)	7.48%		(2.68%)

Sources: Bloomberg and Nigerian Stock Exchange (NSE)

3.2. Outlook for the Month of August 2019:

We expect the following factors to drive performance of the equity market in the short-term:

- A possible increase in yields on fixed income securities
- Downward trend in the price of crude oil
- Bargain-hunting investors taking advantage of lower prices
- Stability in the foreign exchange market

FSDH Research expects the bulls to take over from the bears very soon.

3.3. Strategies:

- Investors should position in stocks that have good fundamentals and are currently trading below their fair value
- Investors should take position in stocks that have a history of good dividend payment
- We see opportunities in the banking, consumer goods, building materials, and oil and gas sectors of the equity market

Looking at the historical trend, the equity market has depreciated in the last six years between July and August. The market is clearly oversold and is close to the bottom. FSDH Research expects the bulls to take over from the bears very soon. However, the recent downward trend in the crude oil price may lead to a downward pressure in the equity market.

Table 16 : Equity Market Trend Analysis (2013-2018) – NSE ASI Analysis

	Year					
Months	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
July	37,914.32	42,097.46	30,180.27	28,009.93	35,844.00	37,017.78
August	36,248.53	41,532.31	29,684.84	27,599.03	35,504.62	34,848.45
% Change	(4.39%)	(1.34%)	(1.64%)	(1.47%)	(0.95%)	(5.86%)

Sources: The Nigerian Stock Exchange (NSE) and FSDH Research Analysis

Table 17: Revised Asset Allocation	
Asset Class	**Fund Allocation**
Equities	25%
Fund Placement	10%
Treasury Bills	25%
Real Estate Investment Trust (REIT)	5%
Bonds	20%
Collective Investment Schemes	15%
Source: FSDH Research	

Table 18: Stock Recommendation One Year Target Price						
Stocks	**Max Entry Price**	**52 Week Low**	**52 Week High**	**Trailing EPS**	**Trailing PE Ratio**	**Target Price**
Dangote Cement	165.00	165.00	235.00	23.26	7.09	240.00
Dangote Sugar	9.80	9.80	16.00	1.69	5.81	18.00
FBNH	5.15	5.15	9.95	1.61	3.20	11.00
Flour Mills	15.30	13.35	25.50	1.12	13.68	25.00
GT Bank	27.70	27.70	39.05	6.43	4.31	45.00
Nigerian Breweries	50.00	50.00	103.50	1.79	27.92	81.49
UBA	5.90	5.50	9.50	2.44	2.42	9.50
Zenith Bank	17.75	17.75	26.00	6.26	2.83	32.00
Seplat	490.00	480.00	668.50	114.74	4.27	760.00
11 Plc	158.00	150.00	188.00	22.33	7.07	218.14
Lafarge Africa Plc	14.50	9.55	29.90	0.00	-	20.53
Source: FSDH Research						

Table 19: Bond Recommendation						
S/N	**Security Description**	**Tenor To Maturity (Yrs)**	**Coupon**	**Current Price (N)**	**Current Yield**	**Modified Duration**
1	16.39% FGN JAN 2022	2.47	16.39%	105.08	13.89%	1.99
2	13.98% FGN FEB 2028	8.56	13.98%	98.80	14.22%	4.59
3	16.25% FGN APR 2037	17.70	16.25%	112.25	14.32%	6.02
Source: FSDH Research. Prices and yields as at 07 August, 2019						

Investors may plan to position in Eurobonds whose prices are lower than their respective par value. Investments in these securities may generate good returns for investors who have US Dollar liquidity and can take the associated risks.

Table 20: Attractive Fixed Income Securities Trading on the FMDQ as at 06 August, 2019

Issuer	Description	Coupon	Maturity Date	TTM (Years) *	Current Yield	Price
STATE BONDS						
Lagos	16.75% LAGOS IIA 11-AUG-2024	16.75 %	11-Aug-24	3.47	14.00%	107.28
Lagos	17.25% LAGOS IIB 11-AUG-2027	17.25 %	11-Aug-27	6.10	14.82%	109.45
CORPORATE BONDS						
FCMB	15.00% FCMB 6-NOV-2020	15.00%	06-Nov-20	1.25	16.58%	98.21
NAHCO	15.25% NAHCO II14-NOV-2020	15.25%	14-Nov-20	1.27	13.14%	102.34
Transcorp Hotels Plc	15.50% TRANSCORP 4-DEC-2020	15.50%	04-Dec-20	0.85	15.17%	100.19
Lafarge Africa Plc	14.75% LAFARGE 15-JUN-2021	14.75%	15-Jun-21	1.86	13.76%	101.52
FCMB	14.25% FCMB I 20-NOV-2021	14.25%	20-Nov-21	2.29	15.42%	97.78
UBA	16.45% UBA I 30-DEC-2021	16.45%	30-Dec-21	2.40	13.91%	104.99
Fidelity Bank	16.48% FIDELITY 13-MAY-2022	16.48%	13-May-22	2.77	14.15%	105.11
Transcorp Hotels	16.00% TRANSCORP 26-OCT-2022	16.00%	26-Oct-22	1.88	15.56%	100.60
Flour Mills of Nigeria	16.00%FLOURMILLS II 30 -OCT-2023	16.00%	30-Oct-23	4.23	14.81%	103.58
Stanbic IBTC	182D T.Bills+1.20% STANBIC IA 30-SEP -2024	16.29%	30-Sep-24	5.15	14.84%	105.03
Stanbic IBTC	13.25% STANBIC IB 30-SEP -2024	13.25%	30-Sep-24	5.15	14.84%	94.36
SUPRANATIONAL BONDS						
AfDB	11.25% AFDB 1-FEB-2021	11.25%	01-Feb-21	0.99	12.59%	98.79
CORPORATE EUROBONDS						
Zenith Bank Plc II	7.375% MAY 30, 2022	7.375%	30-May-22	2.82	4.63%	107.15
Access Bank Plc II I	10.50% OCT 19, 2021	10.50%	19-Oct-21	2.20	4.69%	111.98
UBA Plc	7.75% JUN 8, 2022	7.75%	08-Jun-22	2.84	5.41%	106.07
Ecobank Nig. Ltd	8.75% AUG 14, 2021	8.75%	14-Aug-21	2.02	8.34%	100.00
Seplat Petroleum Development Company Plc	9.25% April 01, 2023	9.25%	01-Apr-23	3.65	7.15%	106.62
COMMERCIAL PAPER						
Issuer	Description	Yields at Issue	Maturity Date	DTM **	Current Yield	Discount Rate (%)
Nigerian Breweries Plc	NIGERIAN BREWERIES CP II 22-OCT-19	14.43%	22-Oct-19	77	11.35 %	11.09%
Stanbic IBTC Bank Plc	STANBIC IBTC CP L 3 -MAR-20	14.00%	03-Mar-20	210	12.84 %	12.53%

*TTM – Tenor to Maturity; ** DTM-Days to Maturity
Source: FMDQ

Table 21 : Select Global Bonds Issue	
Country	Bond
China	3.52% February 21, 2023
Egypt	17% April 03, 2022
India	8.15% June 11, 2022
Kenya	12.705% June 13, 2022
Nigeria	16.39% FGN January 2022
Russia	7.60% April 14, 2021
South Africa	7.75% February 28, 2023
Turkey	8.8% September 2023
United States	1.75% May 15, 2023

Source: Bloomberg

Contact

Tel:

+23412702880
+23412702881
+23412702882
+23412702887

Website: www.fsdhgroup.com

Email: research@fsdhgroup.com

Our Reports and Prices are also Available on Bloomberg {FSDH<GO>}

MERCHANT BANK LTD