

Local Investors Win Big in October

The global economy continued to see modest recovery at the beginning of the fourth quarter relative to the end of the preceding quarter – as reflected in Purchasing Managers' Indexes of major economies. According to J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 54.4 points in October, faster than 52.5 points in September.

Against the backdrop of weaker crude oil prices (Bonny Light fell m-o-m by 8.48% to USD36.37/bbl), Nigeria's external reserves moderated m-o-m by 0.16% to USD35.69 billion in October. Nevertheless, Naira appreciated by 0.03% to N385.90/USD at the I&E FX window (NAFEX) as dollar supply from CBN rose by 1.15% m-o-m to USD0.44 billion in October. The Interbank rate stabilized at N381/USD; however, BDC and black-market rates rose by 2.22% and 1.26% to N455.65/USD and N461.45/USD respectively.

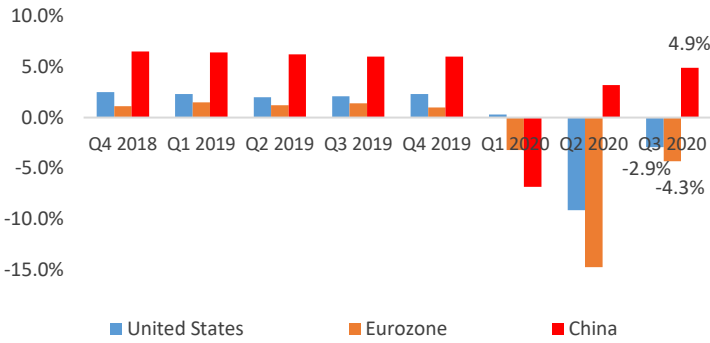
October PMI survey report by CBN showed that manufacturing and non-manufacturing activities declined slower amid improved new orders. Specifically, the manufacturing composite PMI printed a slower contraction to 49.4 points in (from 46.9 points in September) as new orders expanded to 51.2 points in (from 46.4 points in September) – the first expansion in eight months. Also, the non-manufacturing sector recorded slower contraction as its composite PMI fell to 46.8 points in October (from 41.9 points in September) as contraction in business activity and new orders slowed to 48.7 (from 43.7) and 47.8 (from 39.5) respectively.

Local institutional investors continued to trade relatively safe assets, thus dragging short term spot rates and yields further south. Investor demand for T-bills remained strong, pushing Nigerian Interbank Treasury Bills True Yields (NITTY) to record lows – in tandem with the spot rates at the primary market –, especially for 1 month, 3 months and 6 months maturities which traded below 0.30%.

The Nigerian stock market sustained its winning ways in October, mainly due to increased domestic participation amid expectation of positive corporate releases in the Q3 earnings season. The NSE ASI climbed by 13.8% m-o-m to 30,530.69 points while market capitalization rose by 13.8% to N15.96 trillion.

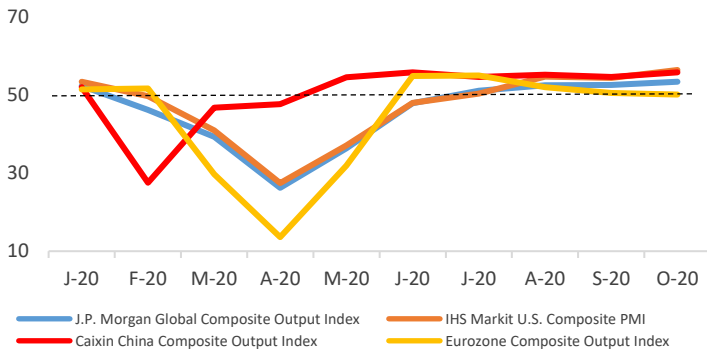
Global Economy

GDP Growth Rates of Major Economies



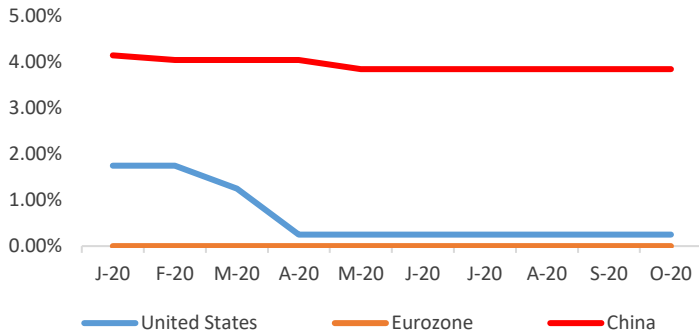
Source: Trading Economics, Cowry Research

PMIs of Major Economies



Source: Markit Economics, Cowry Research

Short term Interest Rates of Major Economies

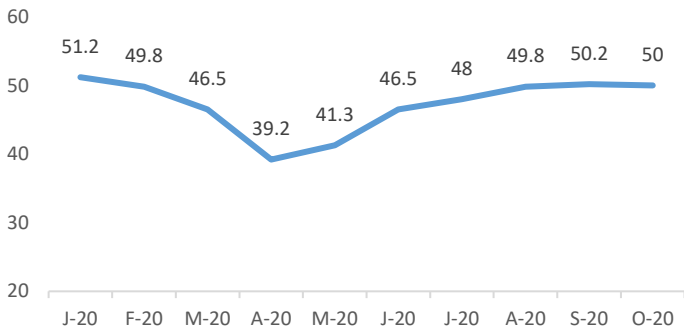


Source: Trading Economics, Cowry Research

The global economy continued to see modest recovery at the beginning of the fourth quarter relative to the end of the preceding quarter – as reflected in Purchasing Managers’ Indexes of major economies. According to J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 54.4 points in October, faster than 52.5 points in September. The United States recorded relatively robust expansion in October as IHS Markit U.S. Composite PMI rose to 56.3 points, faster than 54.3 points in September. Expansion in the US was broad-based as manufacturers and service providers both registered faster expansions; mainly driven by domestic demand. China’s expansion was also broad-based as the Caixin Composite Output Index rose to 55.7 points in October from 54.5 points in September amid increase in business confidence and incoming businesses which contributed to steady rise in employment. However, the Eurozone fell from expansion territory as IHS Markit Eurozone Composite PMI pointed to 50 points (from 50.4 points in September) amid fears of a second wave of the COVID-19 pandemic and as lockdown measures in the economic region intensified to contain the possibility of another outbreak. Eurozone activity was bidirectional as Manufacturing sector recorded sustained expansion (mainly on account of German manufacturing); however, service sector activity contracted.

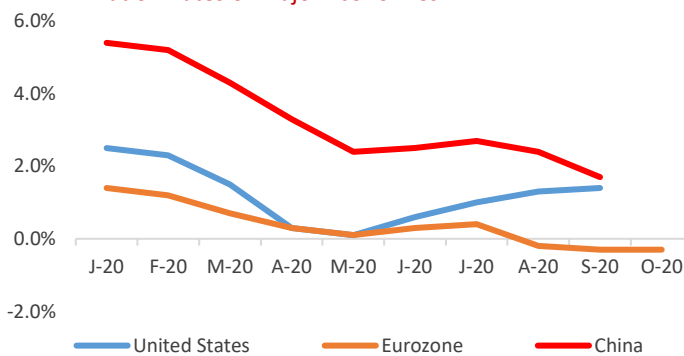
Meanwhile, the People's Bank of China (PBoC) retained its benchmark interest rates at its October fixing amid continued efforts to support recovery from COVID-19 disruption.

J.P. Morgan Global Composite Employment Index



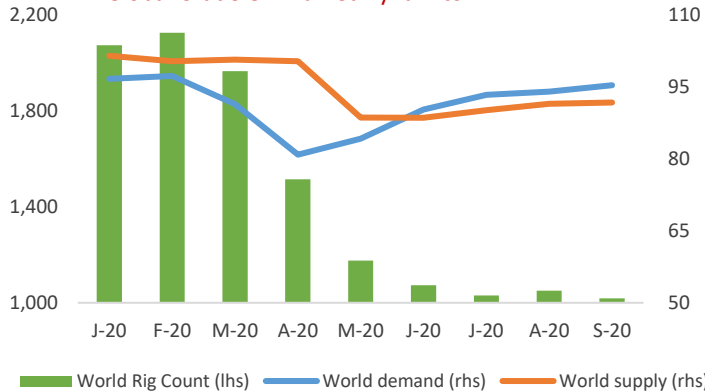
Source: Markit Economics, Cowry Research

Inflation Rates of Major Economies



Source: Trading Economics, Cowry Research

Global Crude Oil Market Dynamics



Source: US Energy Information Administration, Opec, Cowry Research

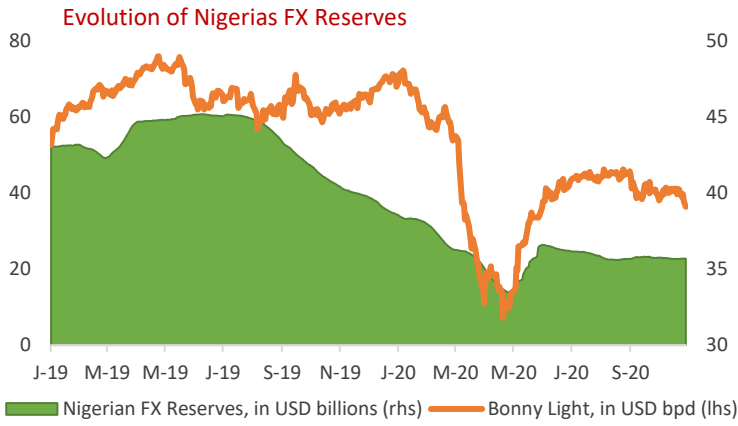
The one-year loan prime rate (LPR) was retained at 3.85% while the five-year remained at 4.65%. Likewise, US Federal Reserve kept the target range for the federal funds rate steady at 0% - 0.25% due to the need to achieve desired employment and inflation levels. The European Central Bank (ECB) retained its main refinancing rate at 0% while the deposit rate was retained at -0.5%.

In spite of expansion in global business activity, employment appeared to have slowed as J.P. Morgan Global Composite Employment Index retraced from an expansion of 50.2 points in September to a neutral 50 points in October, partly due to a possible contraction in hires in the manufacturing sector. We suspect that the fragile Eurozone economy contributed to the slowdown in the rate of new hiring given the renewed lockdown of businesses to contain the spread of the global pandemic.

Meanwhile, available data showed that the Euro area recorded an inflation rate of minus 0.3% (a deflation) in October, unchanged from the preceding month.

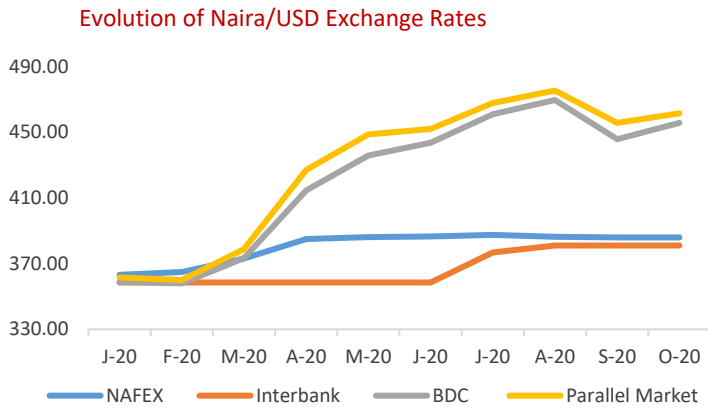
In the global energy market, recent statistics from the U.S. Energy Information Administration show that world crude oil consumption increased m-o-m by 1.41% to 95 million barrels per day (mbpd) as at September while world crude oil supply rose by a marginal 0.27% to 92 mbpd as at September. However, world rig count declined by 2.95% to 1,019 as at September, suggestive of a weaker near-term outlook for crude oil consumption. Global crude oil prices generally tanked in the month of October amid weak demand by refineries, particularly in Europe and Asia – brent crude oil price slumped m-o-m by 10.31% to USD37.94/bbl.

Nigerian Economy



Source: Central Bank of Nigeria, Cowry Research

Against the backdrop of weaker crude oil prices (Bonny Light fell m-o-m by 8.48% to USD36.37/bbl), Nigeria’s external reserves moderated m-o-m by 0.16% to USD35.69 billion in October. Nevertheless, Naira appreciated by 0.03% to N385.90/USD at the I&E FX window (NAFEX) as dollar supply from CBN rose by 1.15% m-o-m to USD0.44 billion in October. The Interbank rate stabilized at N381/USD; however, BDC and black-market rates rose by 2.22% and 1.26% to N455.65/USD and N461.45/USD respectively.



Source: FMDQ, Abokifx.com, Cowry Research

Latest data showed that goods and services import cover rose to 7.1 months in August from 4.7 months in July. However, external debt cover dropped to 115.0% as at June from 127.1% as at March.

Goods and Services Import Cover (months)



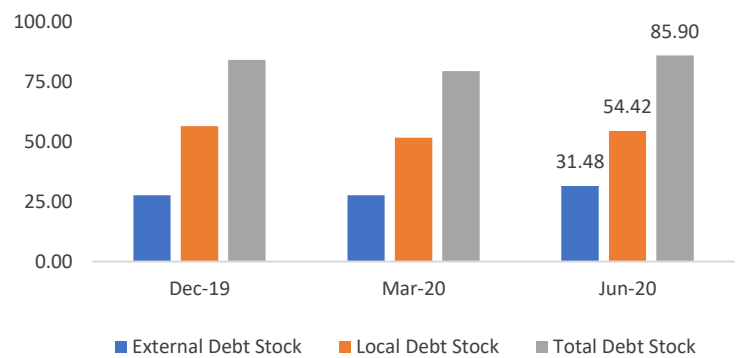
Source: Central Bank of Nigeria Monthly Economic Report, Cowry Research

External Debt Cover

	External Debt (1)	External Reserves (2)	(2) as %age of (1)
Dec-19	USD27.68 Bn	USD38.60 Bn	139.5%
Mar-20	USD27.67 Bn	USD35.16 Bn	127.1%
Jun-20	USD31.48 Bn	USD36.19 Bn	115.0%

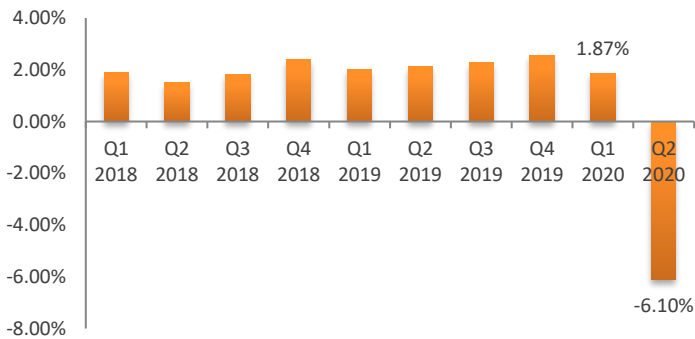
Source: Debt Management Office, Central Bank of Nigeria, Cowry Research

National Debt Stock (USD Bn)



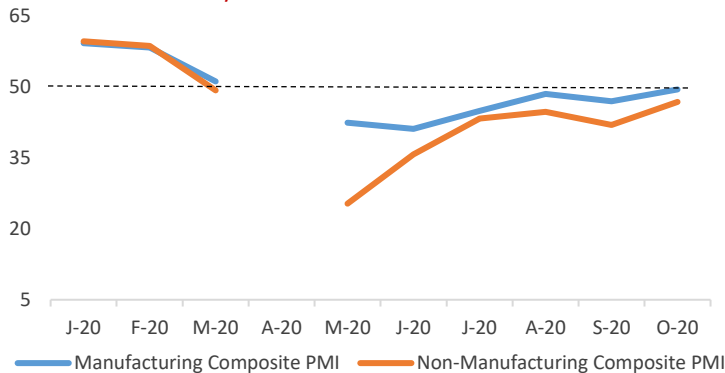
Source: Debt Management Office, Cowry Research

Y-o-Y Real GDP Growth Rates



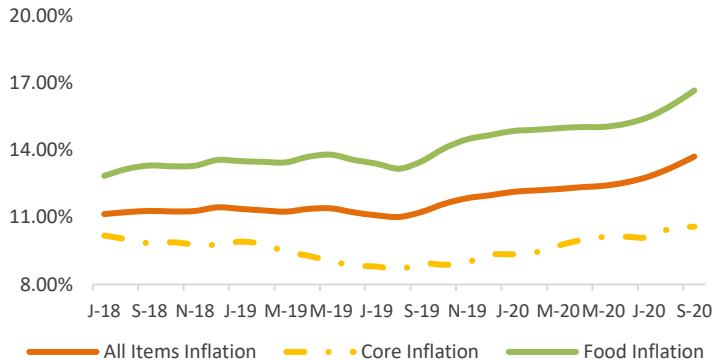
Source: National Bureau of Statistics, Cowry Research

Business Activity



Source: Central Bank of Nigeria, Cowry Research

Consumer Price Inflation



Source: National Bureau of Statistics, Cowry Research

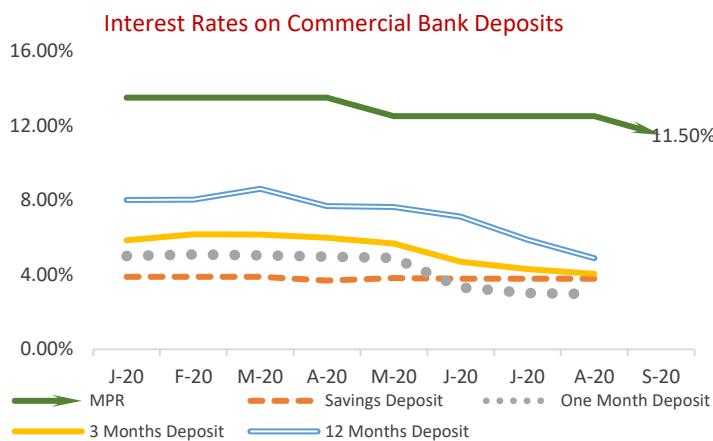
Nigeria’s real GDP fell year-on-year by 6.10% to N15.90 trillion in Q2 2020, (against a 1.87% growth in Q1 2020) due to the COVID-19 pandemic. The oil & gas sector fell y-o-y by 6.63% (against a 5.06% growth in Q1 2020) as Nigeria’s crude oil output fell q-o-q by 10.40% to 1.81mbpd. The non-oil sector shrank y-o-y by 6.05% to N14.48 trillion amid declines witnessed in Construction, Real Estate and Trade sectors to which jointly accounted for 22.85% of GDP.

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Annual inflation rate maintained its upward trajectory, as it further rose to 13.71% in the month of September (from 13.22% printed in August). Food inflation rate rose to 16.66% in September (from the 16% in August) following weak harvests induced by low planting activity given the restrictions on movements amid Covid-19 pandemic. Core inflation rate rose to 10.58% (from 10.52% in August) amid rise in transport, clothing and footwear as well as housing water & electricity amongst others.

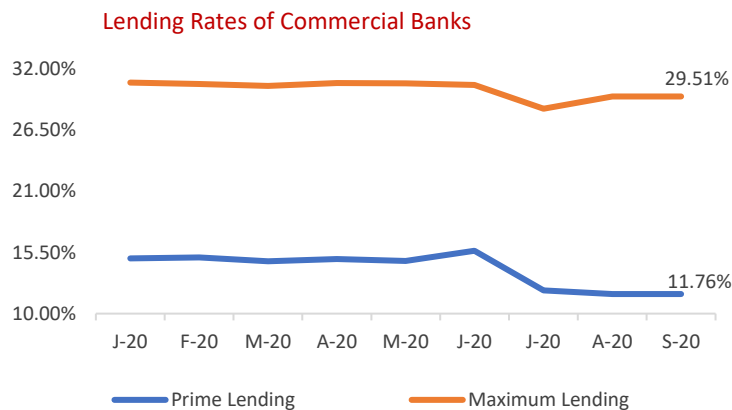
In September, the Monetary authority, had in a bid to stimulate output growth, cut Monetary Policy Rate (MPR) by 100bps to 11.50% and reviewed the asymmetric Corridor to +700bps/-100bps (from +500bps/-200bps) around the MPR. The monetary authority also reduced the minimum Savings Rate at commercial banks to 1% of MPR or 1.15% from 1.25%.

In October, institutional investors continued to trade relatively safe assets, thus dragging short term spot rates and yields further south. At the primary market T-Bills auctions, stop rates for 91-day, 182-day and 364-day bills fell to 0.34%, 0.50% and 0.98% respectively in October (from 1.08%, 1.49% and 2.80% in September).

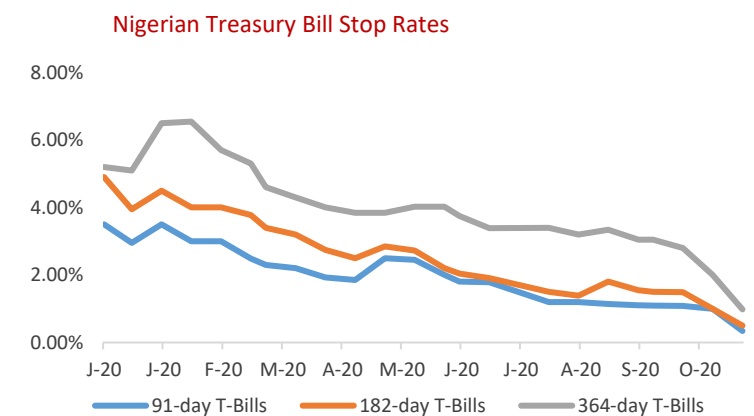


Source: Central Bank of Nigeria, Cowry Research

According to available data, Commercial banks' prime lending rates stood at 11.76% while maximum lending rates stood at 29.51% as at September.



Source: Central Bank of Nigeria, Cowry Research



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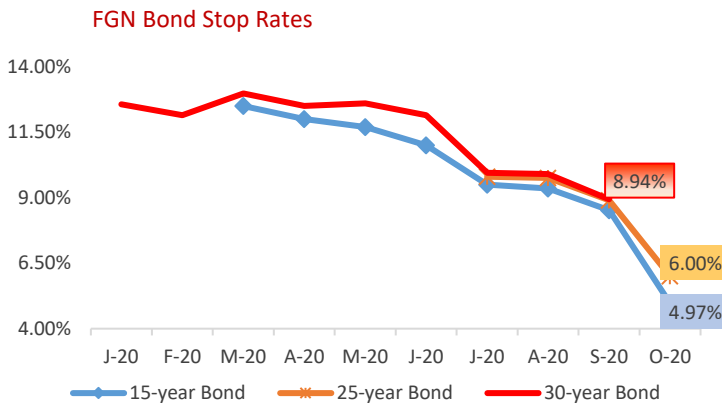
At the secondary market, investor demand for T-bills remained strong, pushing Nigerian Interbank Treasury Bills True Yields (NITTY) to record lows – in tandem with the spot rates at the primary market –, especially for 1 month, 3 months and 6 months maturities which traded below 0.30%.

Monthly NITTY Performance

Tenor	Oct 2020 Close	Sept 2020 Close	PPT
1 Month	0.2234%	0.8323%	(0.61)
3 Months	0.2491%	0.9307%	(0.68)
6 Months	0.2906%	1.0630%	(0.77)
12 Months	0.6153%	2.4752%	(1.86)

Source: FMDQ, Cowry Research

In the same vein, investors scrambled for relatively higher yields at the longer end of the yield curve and dragged stop rates lower at primary market auctions. Stop rates for the 15-year and 25-year FGN bonds moderated to 4.97% and 6.00% respectively in October (from 8.52% and 8.90% in September).



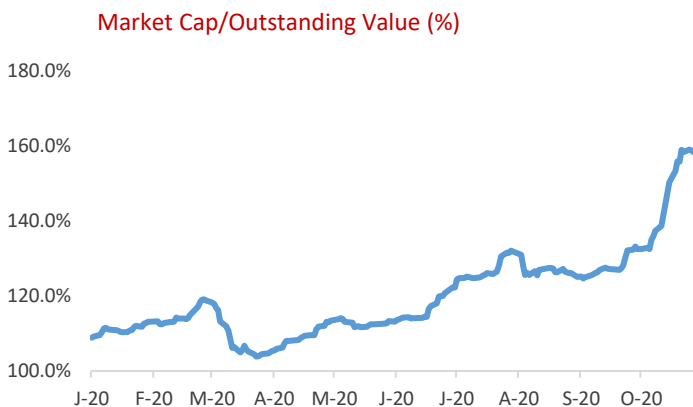
Source: Debt Management Office, Cowry Research

FGN bond prices appreciated (and yields fell) on a month-on-month basis across all maturities tracked on the back of sustained investor demand. The 7-year, 13.53% FGN March 2027 vanilla paper appreciated by N5.23 (yield fell by 1.18ppt); the 7-year, 11.20% FGNSK June 2020 sukuk bond gained N21.49 (yield fell by 3.27ppt); while the 7-year, 14.50% FGNGB June 2020 green bond gained N17.24 (yield fell by 2.84ppt).

FGN Bonds	30-Oct-20 Price (₦)	M-o-M ₦ Δ	30-Oct-20 Yield	M-o-M PPT Δ
5-Year, 12.75% FGN APR 2023	124.25	0.68	2.63%	(0.51)
7-Year, 13.53% FGN MAR 2025	142.77	5.23	3.06%	(1.18)
10-Year, 16.29% FGN MAR 2027	171.13	21.81	3.68%	(3.07)
30-Year, 14.80% FGN APR 2049	201.09	46.66	6.76%	(2.56)
7-Year, 11.20% FGNSK JUN 2027	144.35	21.49	3.61%	(3.27)
7-Year, 14.50% FGNGB JUN 2026	156.38	17.24	3.39%	(2.84)
7-Year, 7.62% FGNEUR NOV 2025	104.95	1.18	6.46%	(0.28)

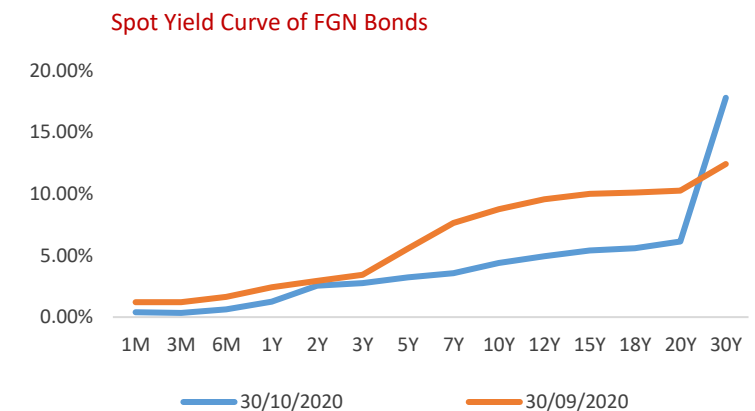
Source: FMDQ, Cowry Research

In the secondary market, FGN bonds generally traded at relatively higher premia in October relative to September as Market Capitalization to outstanding value ratio rose to 147.74% in October from 127.65% in September.



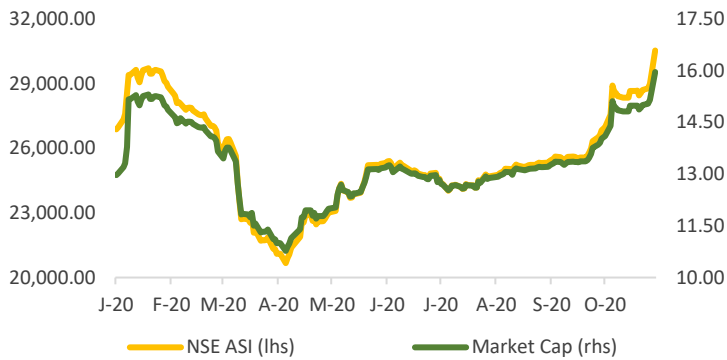
Source: FMDQ, Cowry Research

The normal yield curve at the end of October, was lower than the preceding month's ending yield curve; reflecting the sustained downward trend in yield environment. Only the 30-year maturity had higher yield and 17.78% in October compared to 12.40% in September.



Source: FMDQ, Cowry Research

Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Oct Close	Sept Close	%age Δ	YTD %age Δ
NSE ASI	30,530.69	26,831.76	13.8%	13.74%
Market Cap (N trillion)	15.96	14.02	13.8%	23.1%

Source: Nigerian Stock Exchange, Cowry Research

Sectored Indices	Oct Close	Sept Close	%age Δ	YTD %age Δ
NSE Banking	372.61	310.39	20.0%	4.4%
NSE Insurance	145.11	138.81	4.5%	15.3%
NSE Consumer Goods	546.09	453.82	20.3%	-7.9%
NSE Oil/Gas	215.33	195.14	10.3%	-18.0%
NSE Industrial	1,327.95	1,193.76	11.2%	23.5%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Oct-20	Sept-20	%age Δ
Deals	106,626	82,522	29.2%
Volume (million)	8,969	6,912	29.8%
Value (N million)	104,499.63	65,017.50	60.7%

Source: Nigerian Stock Exchange, Cowry Research

The Nigerian stock market sustained its winning ways in October, mainly due to increased domestic participation amid expectation of positive corporate releases in the Q3 earnings season. The NSE ASI climbed by 13.8% m-o-m to 30,530.69 points while market capitalization rose by 13.8% to N15.96 trillion. Hence, on a year-to-date basis, the NSE ASI gained 13.74% while the market capitalization accelerated by 23.1%.

There were across the board gains as every subsector closed in the positive territory. On a monthly basis, consumer goods stocks and banking stocks were the biggest gainers as their respective gauges, the NSE Consumer Goods Index and NSE Banking Index gained 20.3% and 20% to close at 546.09 points and 372.61 points. Following, NSE Industrial Goods Index and NSE Oil/Gas Index climbed by 11.2% and 10.3% to close at 1,327.95 points and 215.33 points respectively. The rise in the industrial index was partly driven by positive performance of manufacturer of building materials, Lafarge Africa PLC, which reported y-o-y growths in turnover and profit after tax of 0.1% and 37.05% to N179.88 billion and N28.20 billion respectively for the 9 Months September 2020 financial period. Industry competitor, BUA Cement PLC, also recorded y-o-y growths in turnover and PAT of 0.21% and 23.85% to N156.55 billion and N53.57 billion respectively over the same period.

Market activity was also upbeat as total deals, transacted volumes and Naira votes increased by 29.2%, 29.8% and 60.7% to 106,626, 8.97 billion shares and N104.5 billion respectively.

Top Gainers and Top Losers

Top 10 Gainers	Prices (N)			%age Δ
	30-Oct-20	30-Sep-20		
SYMBOL				
INTBREW	7.37	3.9		89%
ETERNA	5.15	2.74		88%
FCMB	3.13	2.19		43%
STERLNBANK	1.77	1.28		38%
FIDELITYBK	2.51	1.85		36%
LIVESTOCK	0.81	0.6		35%
ETI	5.65	4.2		35%
TOTAL	129.9	96.8		34%
FLOURMILL	28.15	21.65		30%
NASCON	13.1	10.4		26%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)			%age Δ
	30-Oct-20	30-Sep-20		
SYMBOL				
CORNERST	0.58	0.65		-11%
JAIZBANK	0.58	0.61		-5%
UAC-PROP	0.83	0.87		-5%
REGALINS	0.22	0.23		-4%

Source: Nigerian Stock Exchange, Cowry Research

Supplementary Listing

NEWGOLD ETF: Additional 687,142 units of NEWGOLD ETF were listed on the Daily Official List of the NSE on Wednesday, October 28, 2020; raising the outstanding balance to 1,737,142 units.

Proposed Rights Issue

- Transcorp Hotels Plc: Rights Issue of 2,659,574,468 ordinary shares of N0.50 each at N3.76 per share, opened for subscription Monday, October 05, 2020. The Rights Issue will be traded on the basis of 7 new ordinary shares for every 20 ordinary shares held as at July 13, 2020.
- Abbey Mortgage Bank Plc: NSE received an application for the approval and listing of a Rights Issue of 3,692,307,691 ordinary shares of N0.50 each at N0.82 per share, on the basis of 4 new ordinary shares for every 7 ordinary shares held. The Qualification Date for the Rights Issue was Thursday, October 08, 2020.

Other Market News

Union Dicon Salt Plc: NSE notified dealing Members that it lifted the suspension of trading on the shares of Union Dicon Salt Plc on Monday, 19 October 2020 after the company submitted its outstanding financial statement.

Sunu Assurances Nigeria Plc: NSE notified members it placed shares of Sunu Assurances Nigeria Plc on full suspension on Monday, 19 October 2020 to allow for closure of the Company's register of members in order to determine shareholders eligible for the share capital reconstruction (the cancellation of 4 existing ordinary shares out of every 5 ordinary shares) as at the Qualification Date of 16 October 2020.

Wapic Insurance Plc: NSE notified dealing Members that it implemented the change of name of Wapic Insurance Plc to Coronation Insurance Plc.



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