

Global Economy Sees Sustained Growth, Nigeria's Trade Deficit Widens

The global economy expanded for the eleventh consecutive month in May as growth in output and new business orders was sustained. Notably, indexes for new business and new export orders expanded to 58.5 points and 54 points respectively (from 56.8 points and 53.9 points in April). Input cost index also rose to 67 points (from 65 points) and was transferred to consumers as output price index rose to 59.1 from 55.9. Expansion in business activity was partly spurred by increased business confidence amid increased rollout of Coronavirus vaccines which allowed for an easing of lockdowns in several countries. According to the J.P. Morgan Global Composite Output Index, global business activities (manufacturing and services) expanded to 58.4 points in May 2021, faster than 56.7 points in April 2021. Meanwhile, global inflation appeared to have increased in May amid expansionary economic policies, expanding input and output prices, rising energy prices and higher global food prices.

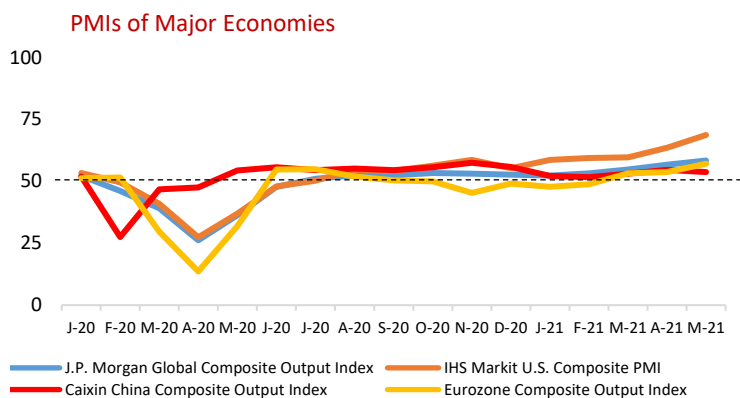
In Q1 2021, Nigeria recorded a 12.7% q-o-q increase in trade deficit to USD8.53 billion, driven by a 7.8% increase in imports to USD17.26 billion, higher than a 3.4% increase in exports to USD8.73 billion recorded during the period.

Nigeria's business activity remained in expansion territory as the IHS Markit-Stanbic IBTC headline PMI rose to 54.4 points in May (from 52.9 points in April). Expansion in new orders and output was driven by higher demand requiring higher staffing to reduce existing backlogs and complete orders.

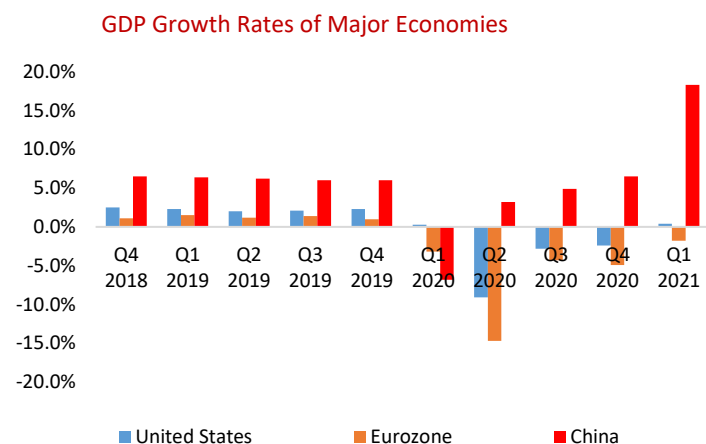
Depositors earned better interest on their deposits as 1-, 3- and 12-month deposit rates rose to 2.33%, 3.32% and 5.78% in April (from 2.06%, 3.03% and 4.94% in March) respectively. However, average savings rate was flat at 1.86%.

The local bourse witnessed bearish activity as investors stayed on the sidelines following the end of corporate releases which showed mixed performance. This was also against the backdrop of the rising yield environment (stop rates of auctioned government securities trended higher) which continued to induce tepid sentiments. The NSE ASI fell m-o-m by 3.5% to 38,437.88 points while market capitalization declined by 3.9% to N20.03 trillion. Consequently, year-to-date performance tanked by 4.6%.

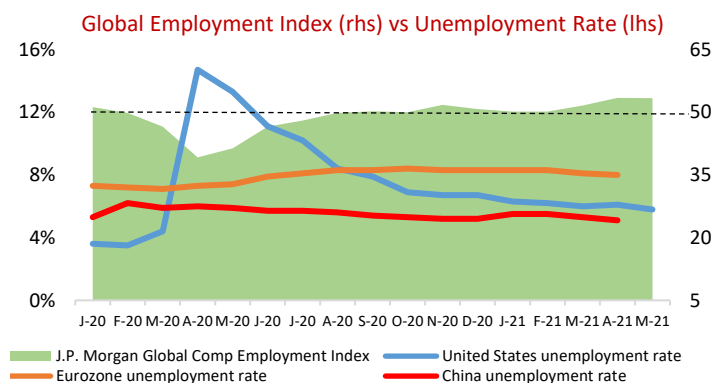
Global Economy



Source: Markit Economics, Cowry Research



Source: Trading Economics, Cowry Research



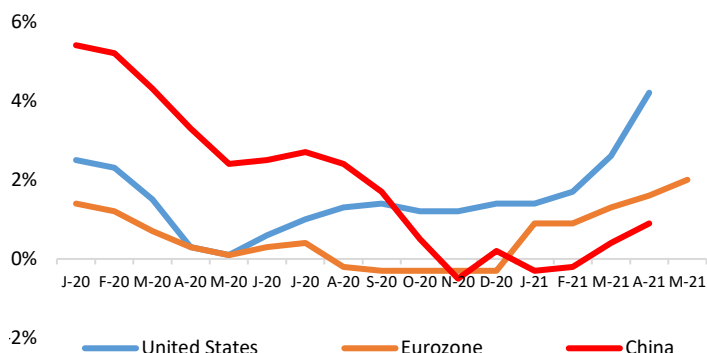
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The United States registered accelerated output expansion to 68.7 points in May (from 63.5 points in April) while the Eurozone recorded 57.1 in May (from 53.8 in April). However, China posted slower expansion of 53.8 in May (from 54.7 in April).

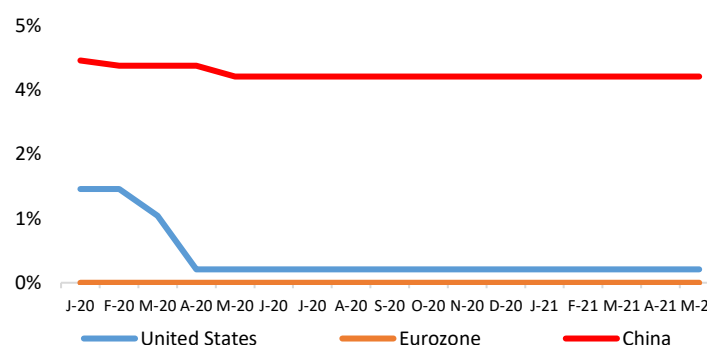
With regard to jobs, the J.P. Morgan Global Composite Employment Index expanded to 53.3 points in May (although slower than 53.4 points in April) amid improved business activity at both manufacturers and service providers. Strong job creation was seen in the US, Euro Area and the UK. However, staffing levels in India contracted.

Inflation Rates of Major Economies



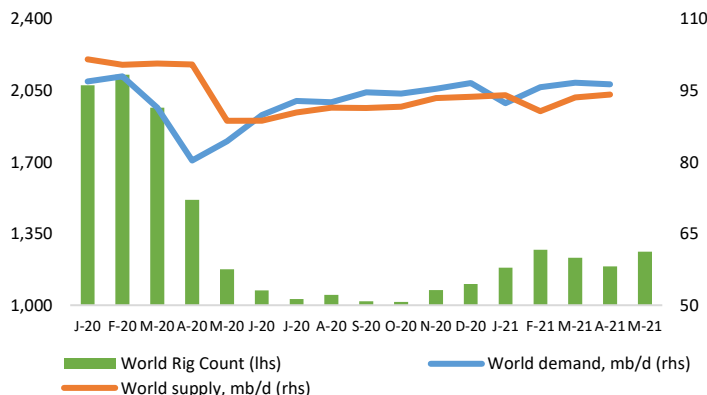
Source: Trading Economics, Cowry Research

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

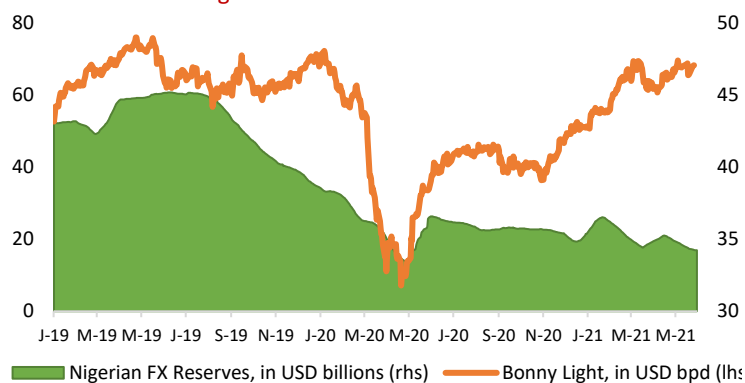
Meanwhile, global inflation appeared to have increased in May amid expansionary economic policies, expanding input and output prices, rising energy prices and higher global food prices – spot Brent crude oil price increased m-o-m by 5.69% to USD68.49 a barrel in May even as the FAO Food Price Index (FFPI) rose, on average, to 127.1 points in May (from 121.3 points in April) amid rise in prices of oils, sugar and cereals along with higher meat and dairy prices. Available data showed that Inflation rate in the United States spiked to 4.2% in April (from 2.6% in March) amid increases in prices of gasoline (49.6% higher in April vs 22.5% in March), fuel oil (37.3% vs 20.2%), used cars and trucks (21% vs 9.4%), shelter (2.1% vs 1.7%) and new vehicles (2% vs 1.5%). China recorded an inflation rate of 0.9% in April (higher than 0.4% in March) amid faster increase in cost of non-food goods (1.3% in April vs 0.7% in March). Elsewhere, Eurozone Inflation is expected to rise to 2% in May (from 1.6% in April) amid expectations of higher energy costs.

The US 10-year bond yield and 1-year T-Bill yield fell to 1.61% and 0.04% respectively at the end of May (from 1.63% and 0.05% at the end of April) amid stronger economic data. German 10-year bond yield rose to -0.18% at the end of May (from -0.19% at the end of April) while the 1-year yield rose to -0.64% from -0.65%. Over the same period, China's 10-year bond yield fell to 3.08% from 3.19% while its 1-year bond yield fell to 2.5% from 2.6%.

In the global energy market, latest statistics from the US EIA showed that world crude oil consumption fell m-o-m by 0.35% to 96.2 million barrels per day (mbpd) while world crude oil supply increased by 0.63% to 94 mbpd in April. Meanwhile, world rig count fell by 3.41% to 1,19 in April.

Nigerian Economy

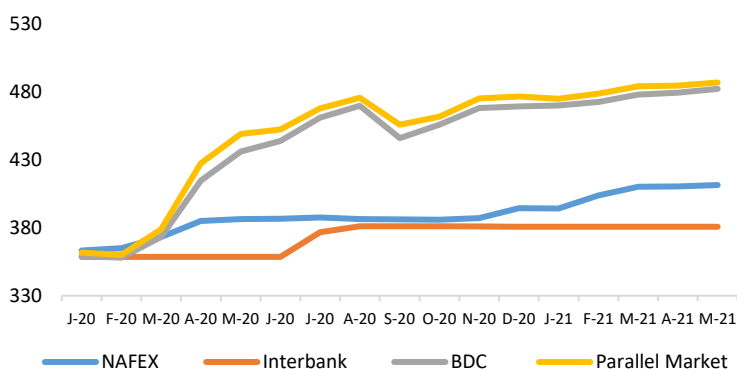
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

Nigeria's foreign exchange reserves declined m-o-m by 1.9% to USD34.23 billion at the end of May despite increase in average price of Bonny Light crude oil price over the same period (Bonny Light rose m-o-m by 3.1% to USD68.21 a barrel). Hence, Naira depreciated, on average, against the greenback in most forex market segments in May – Naira weakened at the NAFEX, BDC and Parallel markets by 0.22%, 0.59% and 0.49% to N411.28/USD, N481.94USD and N486.61/USD respectively but was flat at N380.69 at the Interbank FX segment.

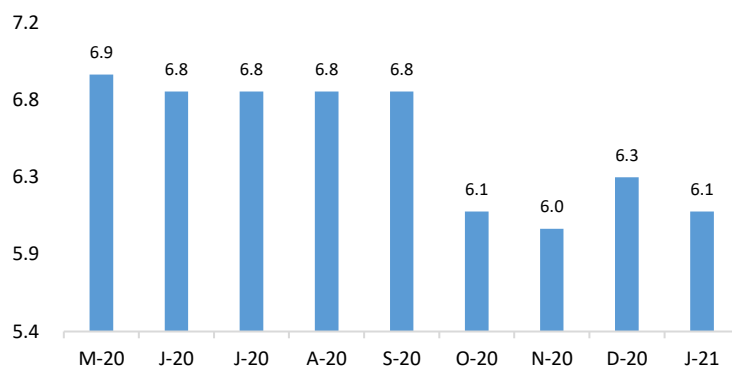
Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

Latest data showed that goods and services import cover moderated to 6.1 months in January 2021 from 6.3 months in December while external debt to external reserves ratio rose to 95.8% as at December from 89.5% as at September.

Goods and Services Import Cover (months)



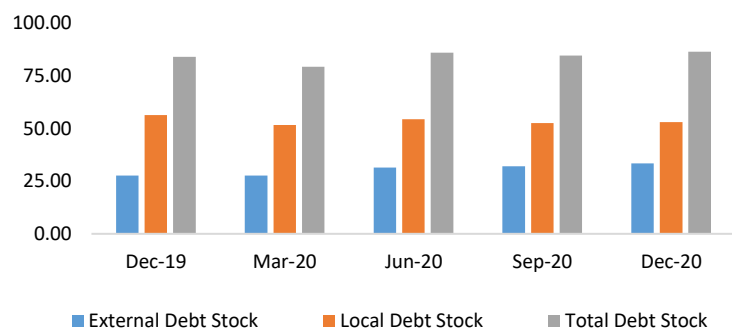
Source: Central Bank of Nigeria Economic Report, Cowry Research

External Debt to Reserves Ratio

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

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

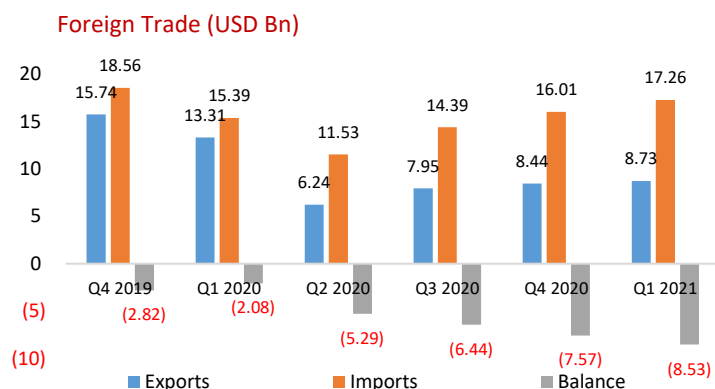
National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

Nigeria Records Wider Trade Deficit in Q1 2021

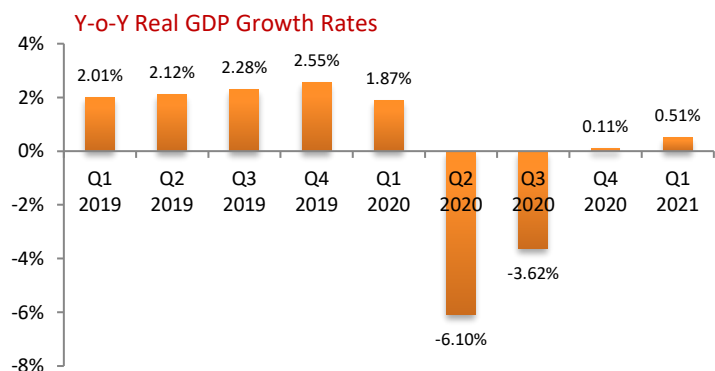
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Source: Central Bank of Nigeria, Cowry Research

Nigeria Recovers Slowly as Q1 Real GDP Rises by 0.51%

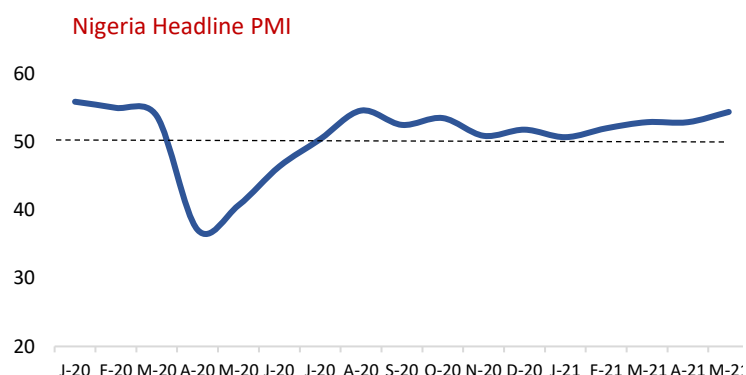
In Q1 2021, Nigeria printed a y-o-y real output growth of 0.51% to N16.83 trillion (or USD112.24 billion). Growth was driven by a 0.79% growth in non-oil sector. The oil/ gas sector, however, fell by 2.21% to N1.56 trillion (or USD10.40 billion) as average daily oil production fell q-o-q by 16.91% to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



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

Purchasing Managers' Index Hints at Sustained Growth

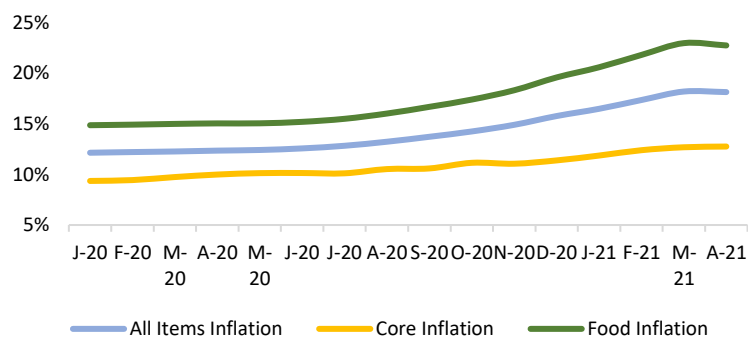
Nigeria's business activity remained in expansion territory as the IHS Markit-Stanbic IBTC headline PMI rose to 54.4 points in May (from 52.9 points in April). Expansion in new orders and output was driven by higher demand requiring higher staffing to reduce existing backlogs and complete orders.



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

Meanwhile, annual inflation (consumer price) rate moderated to 18.12% in the month of April (from 18.17% recorded in March). The southward movement was majorly driven by a

Consumer Price Inflation



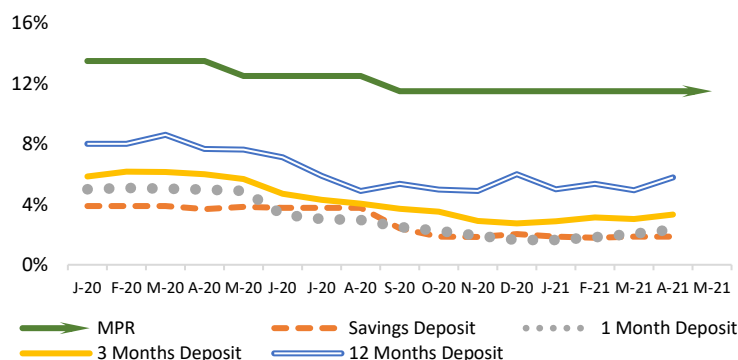
Source: National Bureau of Statistics, Cowry Research

slower rise in the food index to 22.72% (from 22.95%) on the back of a rise in prices of coffee, tea, milk, bread, cereals, potatoes, yams and other tubers, meat, as well as fruits amongst others. However, Core inflation rose to 12.74% (from 12.64%) driven by rise in price of pharmaceutical products, vehicle spare parts and medical services among other things.

Net Savers See Better Rates in April

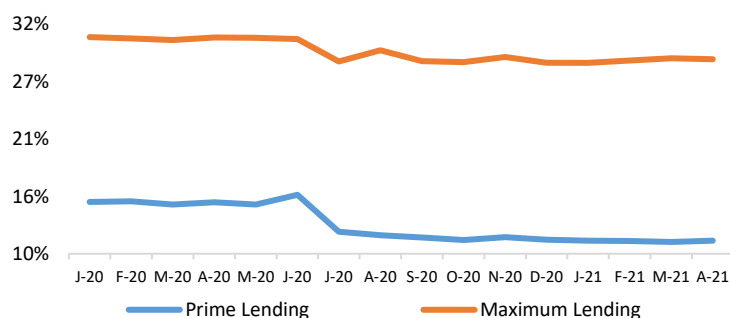
Depositors earned better interest on their deposits as 1-, 3- and 12-month deposit rates rose to 2.33%, 3.32% and 5.78% in April (from 2.06%, 3.03% and 4.94% in March) respectively. However, average savings rate was flat at 1.86%.

Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

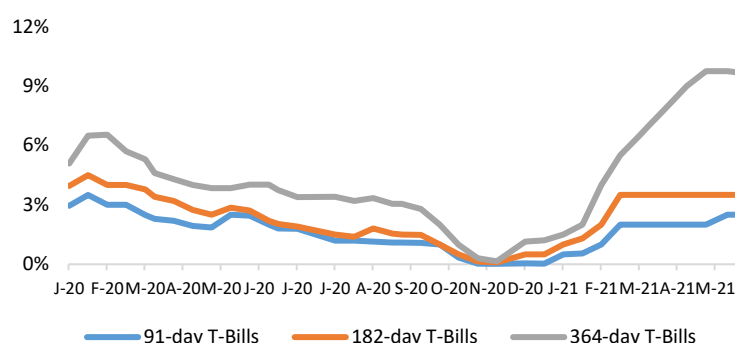
Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

Meanwhile, maximum lending rates moderated, on average, to 28.64% (from 28.74%), halting two consecutive months of increase. On the other hand, prime borrowers saw an increase in average lending rates to 11.24% (from 11.13%), disrupting four consecutive months of decline.

Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

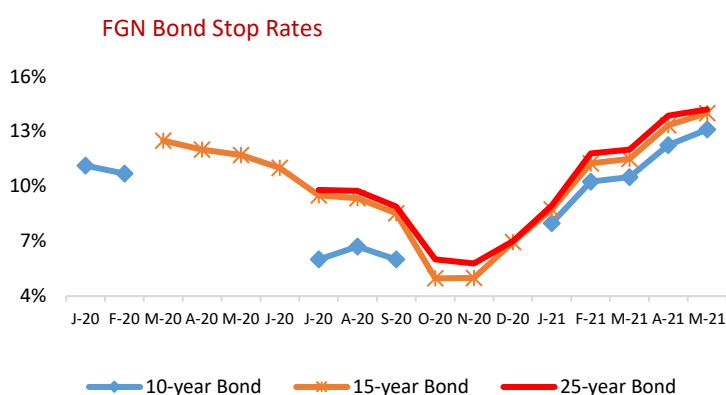
Stop rate of auctioned 91-day treasury bill rose to 2.50% in May from 2.00% in April. However, the stop rate for 364-day bill moderated to 9.65% from 9.75% while the 182-day bill stop rate was flat at 3.50%. At the secondary market, investors in T-bills remained bearish, driving NITTY higher. Notably, 3 months and 6 months NITTY rose by 1.79ppt and 2.32ppt to 6.61% and 6.61% respectively in May.

Monthly NITTY Performance

Tenor	May 2021 Close	Apr 2021 Close	PPT
1 Month	3.2695%	2.0854%	1.18
3 Months	4.5696%	2.7756%	1.79
6 Months	6.6101%	4.2856%	2.32
12 Months	9.6101%	8.8138%	0.80

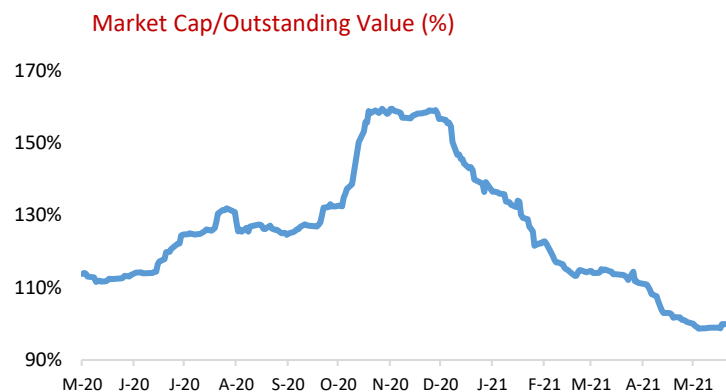
Source: FMDQ, Cowry Research

In May, FGN bonds were auctioned at higher stop rates for the 10-year, 15-year and 25-year maturities as investors continued to demand for higher yields. Stop rates for the 10-year, 15-year and 25-year bonds rose to 13.10% (from 12.25% in April), 14.00% (from 13.34% in April) and 14.20% (from 13.85% in April) respectively.



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively lower premia in May relative to April as the ratio of market capitalization to outstanding value fell, on average, to 99.02% in May from 104.67% in April.



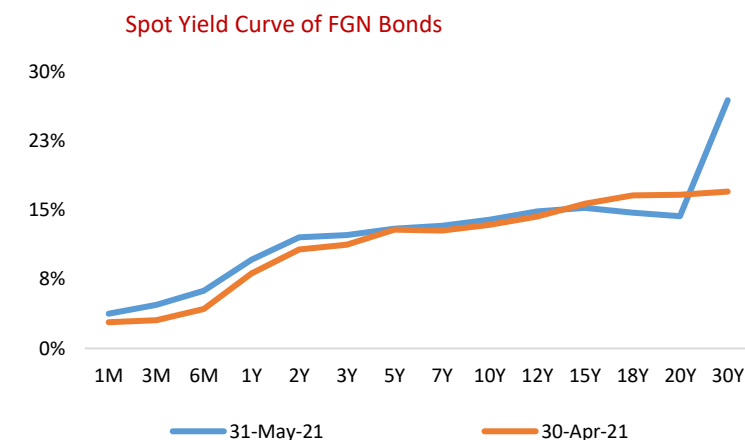
Source: FMDQ, Cowry Research

FGN bond prices declined across maturities and product variants. The 7-year, 13.53% FGN March 2025 plain vanilla paper shed N2.75; the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N2.44; the 7-Year, 14.50% FGNGB JUN 2026 green bond lost N1.39; while the 7-year, 7.62% FGNEUR NOV 2025 Eurobond moderated by USD0.10.

FGN Bonds	31-May-21 Price (₦)	M-o-M ₦ Δ	30-Apr-21 Yield	M-o-M PPT Δ
5-Year, 12.75% FGN APR 2023	101.55	(2.36)	11.80%	1.28
7-Year, 13.53% FGN MAR 2025	103.54	(2.75)	12.32%	0.85
10-Year, 16.29% FGN MAR 2027	112.60	(3.00)	13.10%	0.65
30-Year, 14.80% FGN APR 2049	104.71	(1.52)	14.12%	0.20
7-Year, 11.20% FGNSK JUN 2027	92.28	(2.44)	13.08%	0.63
7-Year, 14.50% FGNGB JUN 2026	106.39	(1.39)	12.74%	0.35
7-Year, 7.62% FGNEUR NOV 2025	113.61	(0.10)	4.25%	(0.03)

Source: FMDQ, Cowry Research

The normal yield curve at the end of May was relatively higher than the yield curve as at the end of April, – especially at the long end, as stop rates at the primary market trended higher – amid increased inflationary pressure as well as sustained pressure on the foreign exchange rate.



Source: FMDQ, Cowry Research

Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	May Close	Apr. Close	%age Δ	YTD %age Δ
NSE ASI	38,437.88	39,834.42	-3.5%	-4.6%
Market Cap (N trillion)	20.03	20.85	-3.9%	-4.9%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	May Close	Apr. Close	%age Δ	YTD %age Δ
NSE Banking	356.43	352.07	1.2%	-9.3%
NSE Insurance	204.39	201.49	1.4%	7.9%
NSE Consumer Goods	561.85	558.32	0.6%	-2.0%
NSE Oil/Gas	309.23	269.11	14.9%	36.7%
NSE Industrial	1,880.11	1,947.64	-3.5%	-8.4%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	May-21	Apr-21	%age Δ
Deals	70,335	81,383	-13.6%
Volume (million)	4,546	5,432	-16.3%
Value (N million)	48,611	75,292	-35.4%

Source: Nigerian Stock Exchange, Cowry Research

The local bourse witnessed bearish activity as investors stayed on the sidelines following the end of corporate releases which showed mixed performance. This was also against the backdrop of the rising yield environment (stop rates of auctioned government securities trended higher) which continued to induce tepid sentiments. The NSE ASI fell m-o-m by 3.5% to 38,437.88 points while market capitalization declined by 3.9% to N20.03 trillion. Consequently, year-to-date performance tanked by 4.6%.

Virtually all subsectors closed in the green except the industrial subsector which shed 3.50%, and single handedly eclipsed the overall bourse's performance. Specifically, BOC Gases, Berger Paints, BUA Cement, Lafarge Africa and Dangote Cement tumbled by 19%, 6%, 5%, 4% and 2% respectively. On the positive side, NSE Oil/Gas Index buoyed by 14.9% on the back of gains on shares of Seplat Petroleum, MRS, Conoil and Total Nigeria of 21%, 16%, 10% and 7% respectively.

Furthermore, NSE Insurance Index rose by 1.4% as shares of Consolidated Hallmark Insurance, Regal Alliance Insurance and Mutual Benefits Assurance appreciated by 69%, 36% and 13% respectively. NSE Banking index also rose by 1.28% on the back of shares of Union Bank and Access Bank which gained 21% and 12% respectively.

Market activity was weaker as total deals, transacted volumes and Naira votes declined by 13.6%, 16.3% and 35.4% to 70,335 deals, 4.5 billion shares and N48.6 billion respectively.

Top Gainers and Bottom Losers

Top 10 Gainers	Prices (N)		
	31-May-21	30-Apr-21	%age Δ
SYMBOL			
CHIPLC	0.66	0.39	69%
ROYALEX [MRF]	0.73	0.53	38%
REGALINS	0.45	0.33	36%
ETERNA	7.60	6.00	27%
VITAFOAM	11.00	9.00	22%
UBN [BLS]	5.95	4.90	21%
SEPLAT	688.00	570.00	21%
SOVRENINS	0.27	0.23	17%
JOHNHOLT	0.63	0.54	17%
MRS	12.60	10.90	16%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	31-May-21	30-Apr-21	%age Δ
SYMBOL			
LINKASSURE	0.60	0.85	-29%
SUNUASSUR	0.47	0.59	-20%
BOCGAS	11.03	13.61	-19%
ACADEMY	0.33	0.40	-18%
NPFMCRFBK	1.67	1.86	-10%
AIRTELAFRI	837.00	930.00	-10%
REDSTAREX	3.10	3.44	-10%
FLOURMILL	28.00	31.00	-10%
FTNCOCOA [RST]	0.38	0.42	-10%

Source: Nigerian Stock Exchange, Cowry Research

New Listing (Corporate Bond)

CardinalStone Financing SPV Plc: The Company's N5 billion Series one, 5 years 7% Fixed Rate Bond, due December 30, 2025 under the N10 Billion Debt Issuance Program, was listed on the Nigerian Exchange Ltd on Thursday, 20 May 2021.

Mecure Industries Funding SPV Plc: The Company's N3 billion Series one, 5 years 13% Senior Secured Fixed Rate Bond, due March 31, 2026 under the N20 billion Bond Issuance Program, was listed on the Nigerian Exchange Ltd on Friday, 21 May 2021.

Company Delisting

11 Plc: The Nigerian Exchange Limited notified investors that the entire shares of 11 Plc (the Company) were delisted from The Daily Official List of the Exchange on Friday, 07 May 2021 following shareholders' approval to delist from the Exchange.



Cowry Monthly Economic Digest: May 2021

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