

Global, Local Expansion in Business Activities Slow Down in August

The global economy expanded for the fourteenth consecutive month in August as the J.P. Morgan Global Composite Output Index rose to 52.6 points, albeit slower than 55.8 points in July 2021. This was on the back of slower expansions in output and new business orders in domestic markets while new export business contracted. Specifically, indexes for new business and new export orders registered 53.1 points and 49.5 points respectively (lower than 55.5 points and 52.5 points in July). Input cost index also fell which indicated benefits to consumers as output price index fell.

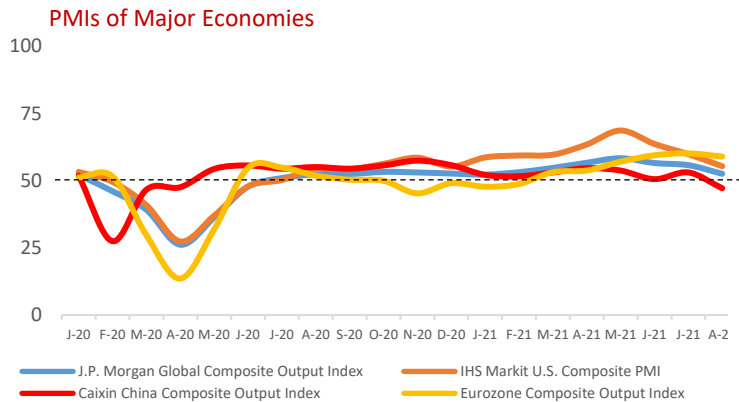
Meanwhile, global inflation rate appeared to have softened in August as suggested by global composite output price which slowed to 56.3 points in the review month. Also, energy oil prices softened amid weaker expansion business activities – spot Brent crude oil price fell m-o-m by 5.95% to USD70.69 a barrel in August. However, global food inflation rose to 32.9% in August (from 31.5% in July) according to Food and Agriculture Organization amid rise in prices of meat, sugar, oil and cereals).

Nigeria's foreign exchange reserves rose m-o-m by 1.8% to USD34.02 billion at the end of August despite a decrease in average price of Bonny Light crude oil price over the same period (Bonny Light fell m-o-m by 5.05% to USD73.18 a barrel). The rise in external reserves may have been due to less spurious demand for the greenback after CBN stopped selling USD to Bureau De Change operators in late July 2021.

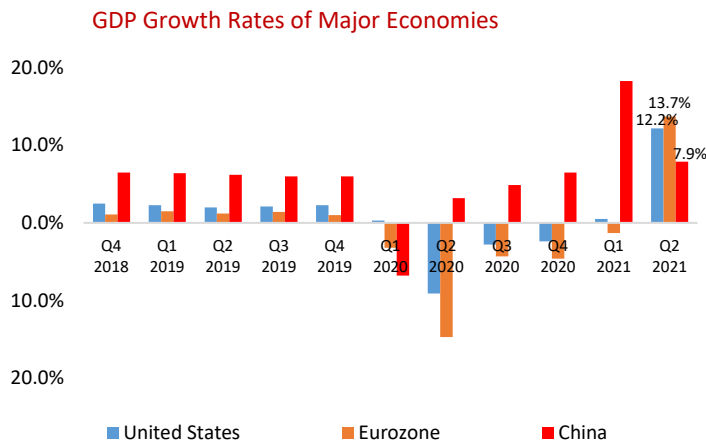
Nigeria's business activity was in expansion territory although the IHS Markit-Stanbic IBTC headline PMI fell to 52.2 points in August from 55.4 points in July. Expansions in new orders, output and staffing slowed amid higher output prices. Inventories rose amid moves to pre-empt supply shocks.

In August, FGN bonds were auctioned at lower stop rates for the 10-year, 20-year and 30-year maturities amid increased buy pressure. Stop rates for the 10-year, 20-year and 30-year bonds fell to 11.60% (from 12.35% in July), 12.75% (from 13.15% in July) and 12.80% (from 13.25% in July) respectively. In the secondary market, FGN bonds generally traded at relatively higher premia in August relative to July as the ratio of market capitalization to outstanding value rose, on average, to 104.47% in August from 100.23% in July.

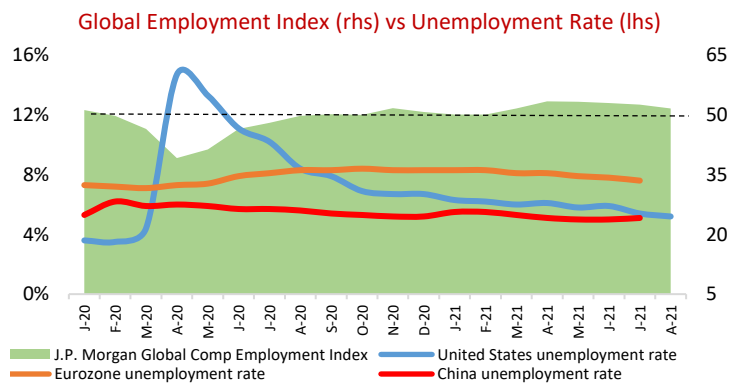
Global Economy



Source: Markit Economics, Cowry Research



Source: Trading Economics, Cowry Research



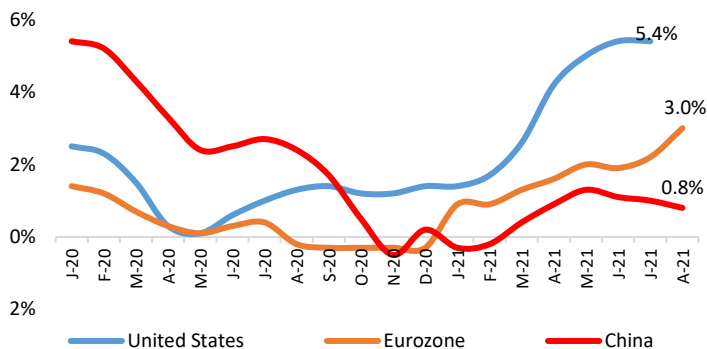
Source: Markit Economics, Trading Economics, Cowry Research

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Two of the three major categories in the services sector – business services and consumer services – witnessed slower output expansions. However, financial services saw accelerated expansion. In the manufacturing sector, output expansions in investment goods, intermediate goods and consumer goods categories were weaker. Some companies, especially manufacturers, reported supply-chain disruptions (especially at manufacturers), COVID-19-related issues and signs of labour and skill shortages as factors which impacted on growth. Geographically, Japan and China sank into contraction, while the United States and Europe saw weaker expansion levels.

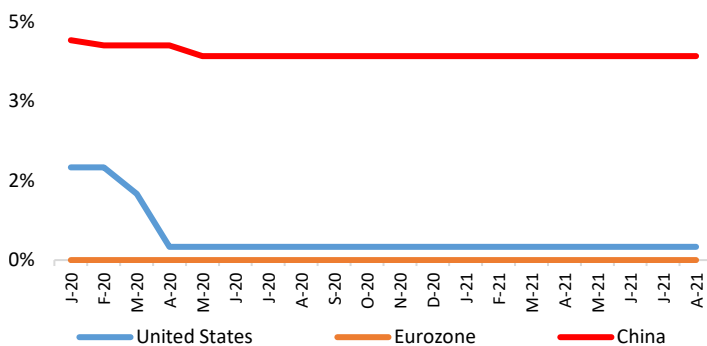
On the jobs front, the J.P. Morgan Global Composite Employment Index expanded slower to 51.5 points in August (from 52.9 points in July) amid slower business activity at both manufacturers and service providers. Unemployment in the United States slowed to 5.2% in August (from 5.4% in July).

Inflation Rates of Major Economies



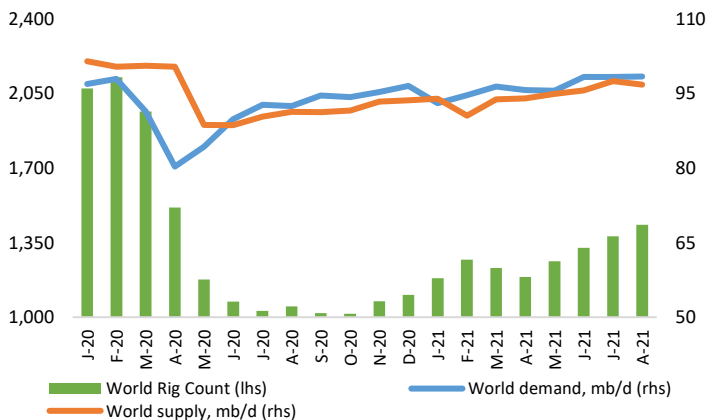
Source: Trading Economics, Cowry Research

Key Short term Interest Rates of Major Economies



Source: Trading Economics, Cowry Research

Global Crude Oil Market Fundamentals



Source: US Energy Information Administration, Opec, Cowry Research

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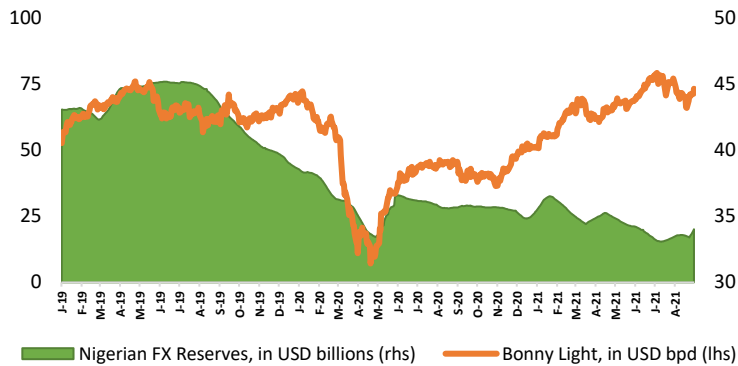
Geographically, latest data showed that the Euro Area registered an increase in inflation rate to 3.0% in of August (from 2.2% in July). However, China recorded a disinflation rate of 0.8% in August (from 1.0% in July).

The U.S. 10-year bond yield and 1-year T-Bill yield rose to 1.31% and 0.068% respectively at the end of August (from 1.23% and 0.065% at the end of June) as investor demand for U.S. fixed income securities waned amid weaker economic data. Likewise, Germany's 10-year bond yield rose to -0.38% at the end of August (from -0.46% at the end of July). However, its 1-year yield fell to -0.67% from -0.64%. Over the same period, China's 10-year bond yield rose to 2.86% from 2.85% while its 1-year bond yield rose to 2.25% from 1.96%.

In the global energy market, latest series from the US EIA showed that world crude oil consumption increased m-o-m by 0.09% to 98.4 million barrels per day (mbpd) in August, higher than world crude oil supply which declined by 0.73% to 96.8 mbpd. Meanwhile, world rig count also increased by 3.91% to 1,434 in August, suggestive of increased confidence of oil & gas investors in global demand outlook.

Nigerian Economy

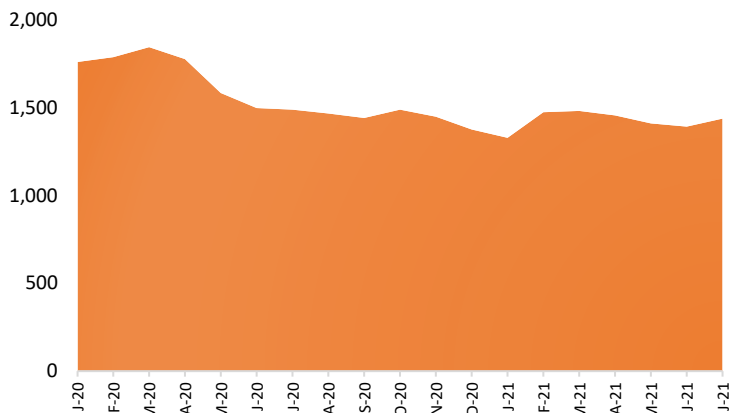
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

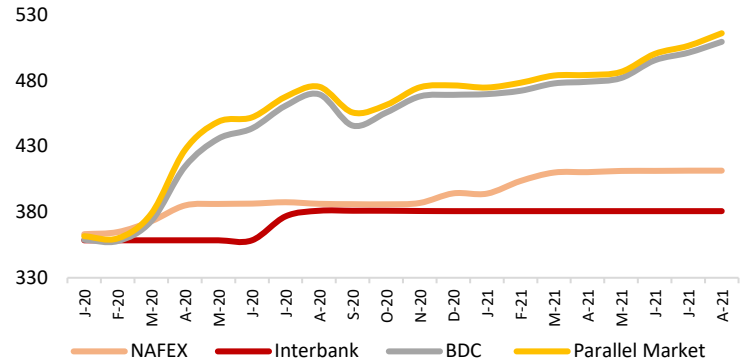
Nigeria's foreign exchange reserves rose m-o-m by 1.8% to USD34.02 billion at the end of August despite a decrease in average price of Bonny Light crude oil price over the same period (Bonny Light fell m-o-m by 5.05% to USD73.18 a barrel). The rise in external reserves may have been due to less spurious demand for the greenback after CBN stopped selling USD to Bureau De Change operators in late July 2021.

Nigeria's Average Crude Oil Production '000 bpd



Source: Onec, Cowry Research

Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

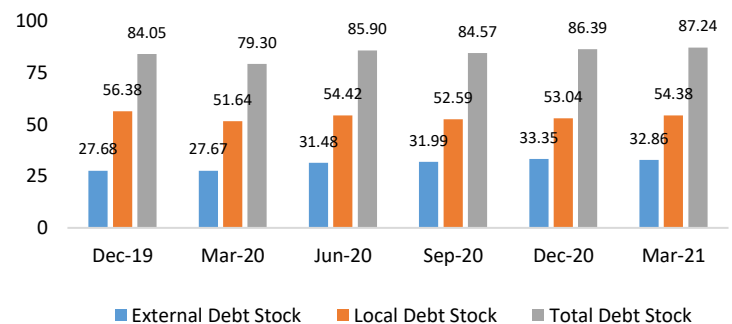
Following the end of dollar sales to BDCs, the spread between the NAFEX rate and the parallel market rate spread further, as FX rate rose by 1.9% to N516/USD at the parallel market in August. However, exchange rates were flat at the NAFEX and Interbank markets at N411.49/USD and N380.69/USD.

External Debt to Reserves Ratio as March 2021

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

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

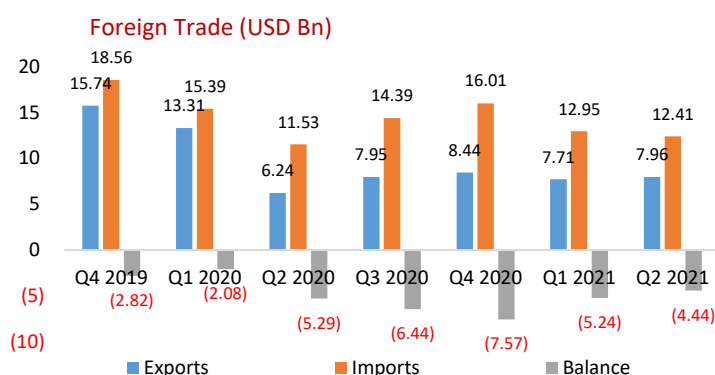
National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

Nigeria Records Narrower Trade Deficit in Q2 2021

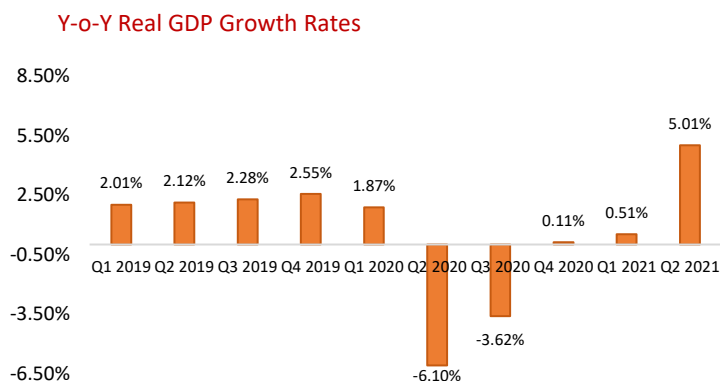
In Q2 2021, Nigeria recorded a 15.2% q-o-q decrease in trade deficit to USD4.44 billion, driven by a 4.2% increase in imports to USD12.41 billion, higher than a 3.2% increase in exports to USD7.96 billion recorded during the period.



Source: Central Bank of Nigeria, Cowry Research

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

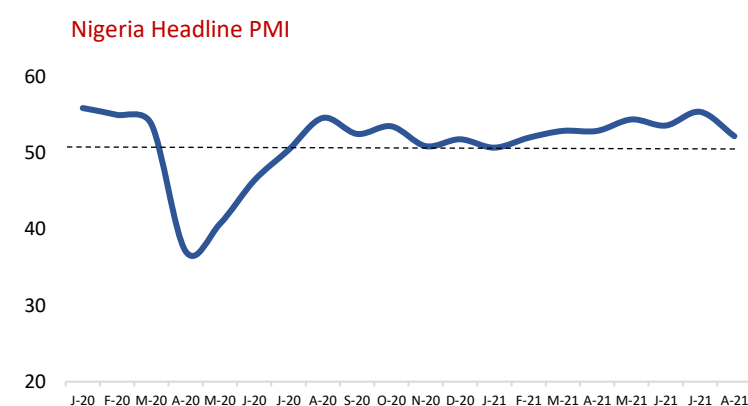
In Q2 2021, Nigeria printed a y-o-y real output growth rate of 5.01% to or USD111.08 billion; propelled essentially by a 6.74% growth in non-oil sector. However, oil & gas sector declined by 12.65% as average daily oil production fell y-o-y by 12.29% to 1.42 million barrels per day (mbpd).



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

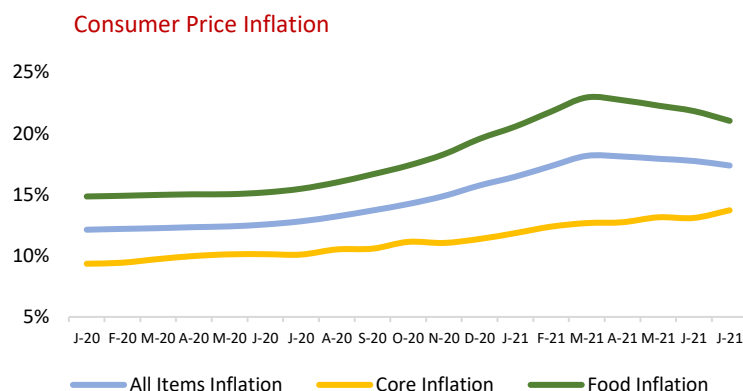
Purchasing Managers' Index Hints at Sustained Growth

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

Meanwhile, annual inflation (consumer price) rate moderated to 17.38% in the month of July (from 17.75% recorded in June). The southward movement was majorly driven by a slower rise



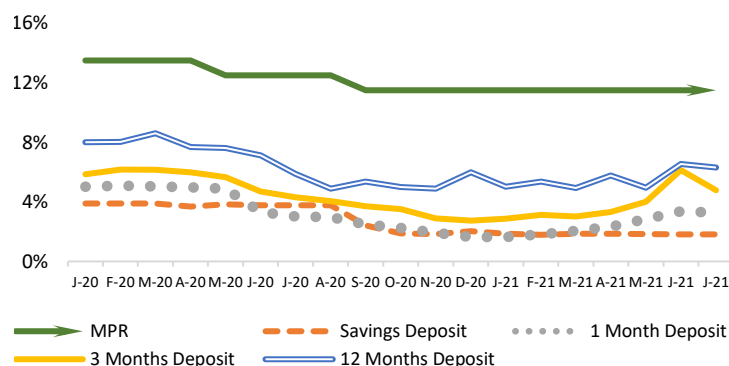
Source: National Bureau of Statistics, Cowry Research

in both food indexes by 21.03%. The rise in the food index was due, inter alia, to increases in prices of bread and cereals, Cocoa, Tea, Soft drinks, milk, eggs, fish and meat. Core inflation, however, rose to 13.72%, driven by rise in price of Garments, Shoes and other footwear, Clothing materials, Vehicle spare parts, Major household appliances, pharmaceutical products and medical services.

Deposits Attract Lower Rates in July

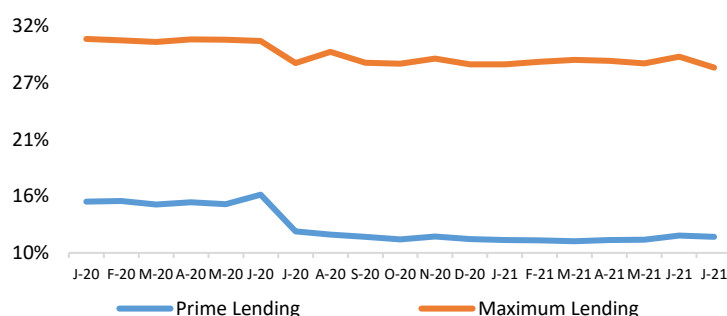
Depositors earned lower interest on their funds as 1-, 3- and 12-month deposit rates moderated to 3.27%, 4.78% and 6.30% in July (from 3.36%, 6.14% and 6.54 in June) respectively.

Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

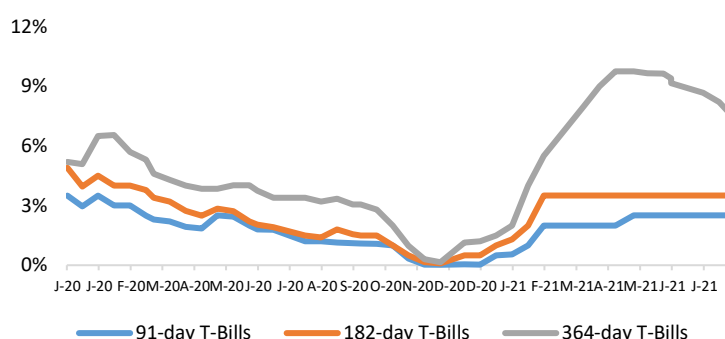
Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

Meanwhile, maximum lending rates fell, on average, to 27.99% in July (from 29.05% in June) while prime borrowers saw a fall in average lending rate to 11.57% (from 11.67%) for the first time in three months. The spread between the two rates narrowed to 16.42ppt in July from 17.38ppt in June.

Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

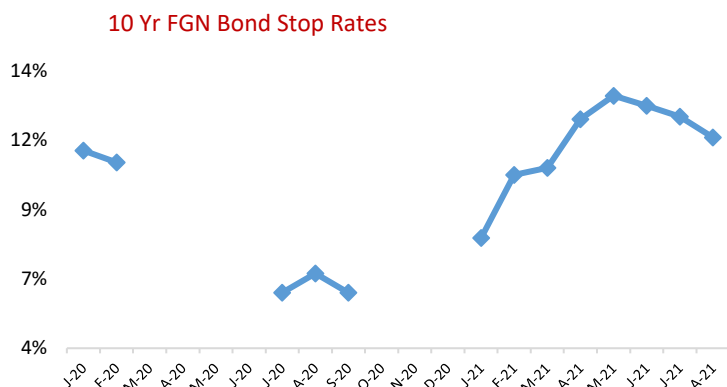
Stop rate for the 364-day T-Bill declined to 6.80% in August (from 8.20% in July). However, stop rates of auctioned 91-day T-bill and 182-day T-bill remained flat at 2.50% and 3.50% respectively in August 2021. In the secondary market, sentiment was bullish as NITTY fell across all tenors. Notably, 6 months and 12 months NITTY declined by 0.86ppt and 1.60ppt to 4.47% and 7.11% respectively in July.

Monthly NITTY Performance

Tenor	August 2021 Close	July 2021 Close	PPT
1 Month	3.0955%	3.4293%	(0.33)
3 Months	3.5445%	4.2916%	(0.75)
6 Months	4.4759%	5.3337%	(0.86)
12 Months	7.1144%	8.7156%	(1.60)

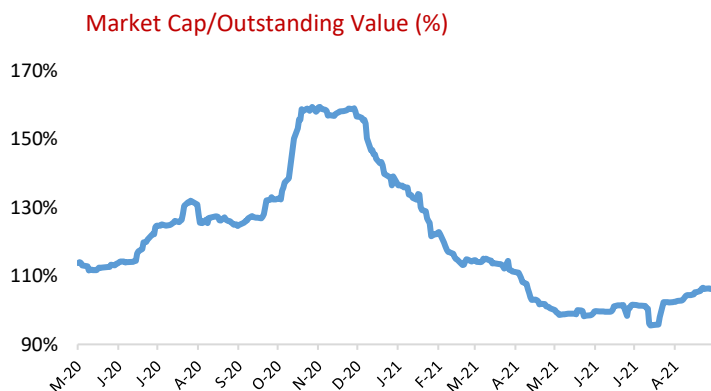
Source: FMDQ, Cowry Research

In August, FGN bonds were auctioned at lower stop rates for the 10-year, 20-year and 30-year maturities amid increased buy pressure. Stop rates for the 10-year, 20-year and 30-year bonds fell to 11.60% (from 12.35% in July), 12.75% (from 13.15% in July) and 12.80% (from 13.25% in July) respectively.



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively higher premia in August relative to July as the ratio of market capitalization to outstanding value rose, on average, to 104.47% in August from 100.23% in July.



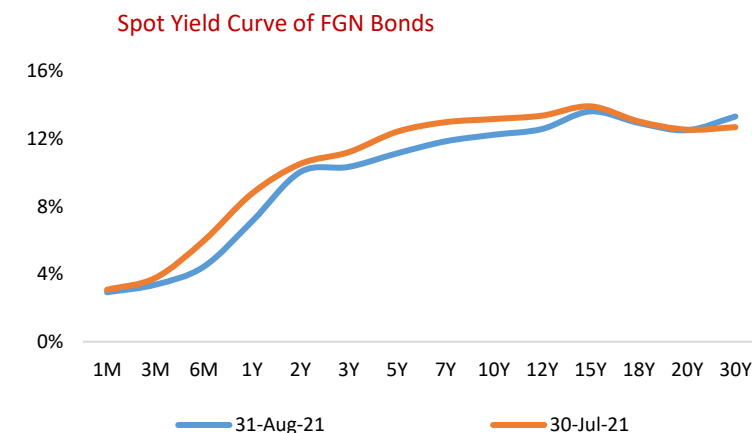
Source: FMDQ, Cowry Research

FGN bond prices generally appreciated across maturities and product variants. The 7-year, 13.53% FGN March 2025 plain vanilla paper gained N3.04; the 7-year, 11.20% FGNSK June 2027 sukuk bond firmed by N4.78; the 7-Year, 14.50% FGNGB JUN 2026 green bond gained N4.60; however, the 7-year, 7.62% FGNEUR NOV 2025 Eurobond moderated by USD0.47.

FGN Bonds	31-Aug-21 Price (₦)	M-o-M ₦ Δ	31-Aug-21 Yield	M-o-M PPT Δ
5-Year, 12.75% FGN APR 2023	109.14	5.20	10.03%	(0.17)
7-Year, 13.53% FGN MAR 2025	109.26	3.04	10.35%	(1.04)
10-Year, 16.29% FGN MAR 2027	120.95	5.21	11.12%	(1.20)
30-Year, 14.80% FGN APR 2049	116.62	4.09	12.62%	(0.48)
7-Year, 11.20% FGNSK JUN 2027	100.00	4.78	11.19%	(1.17)
7-Year, 14.50% FGNGB JUN 2026	113.55	4.60	10.79%	(1.22)
7-Year, 7.62% FGNEUR NOV 2025	111.87	(0.47)	4.50%	0.06

Source: FMDQ, Cowry Research

The normal yield curve at the end of August was relatively lower than the yield curve as at the end of July – in line with the general downward trend in interest (stop) rates – as investors sustained their demand for short- and long-term securities.



Source: FMDQ, Cowry Research

Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Aug Close	July Close	%age Δ	YTD %age Δ
NSE ASI	39,219.61	38,547.08	1.7%	-2.6%
Market Cap (N trillion)	20.43	20.08	1.7%	-3.0%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Aug Close	July Close	%age Δ	YTD %age Δ
NSE Banking	376.96	381.35	-1.2%	-4.1%
NSE Insurance	191.02	197.77	-3.4%	0.8%
NSE Consumer Goods	552.19	597.66	-7.6%	-3.7%
NSE Oil/Gas	368.40	376.95	-2.3%	62.9%
NSE Industrial	1,948.53	1,975.31	-1.4%	-5.1%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Aug-21	July-21	%age Δ
Deals	82,899	80,377	3.1%
Volume (million)	5,218	5,041	3.5%
Value (N million)	44,713	44,868	-0.3%

Source: Nigerian Stock Exchange, Cowry Research

In the month of August, the NSE ASI and market capitalization each rose m-o-m by 1.7% to close at 39,219.61 points and N20.43 trillion respectively; riding on the back of gains on shares of telecoms player, Airtel Africa, property developer, UPDC, and air cargo handler, Skye Aviation Handling Company. Consequently, the year-to-date loss of the local bourse moderated to 2.6%. The monthly gain of the all share index eclipsed across-the-board losses in the sector gauges even as the Exchange recorded 47 losers as against 39 gainers.

The consumer goods sector bled the most (NSE Consumer Index fell by 7.6%) as shares of local brewers, Nigerian Breweries and Champion Breweries tumbled by 14% and 11% respectively. Following, the Insurance sector index sank by 3.4% as investors took profit on shares of Mutual Benefits Assurance, Lasaco Assurance and Wapic Insurance.

Oil and gas stocks tanked by 2.3% following losses on shares of integrated oil and gas company, Oando, and major petroleum marketer, Ardova, of 9% and 5% respectively. Also, Industrial stocks weakened by 1.4% as shares of leading paints maker, CAP, shed 6% while major cement manufacturer, WAPCO (Lafarge Africa), softened by 4%.

The NSE Banking Index shrank by 1.2% as shares of Guaranty Trust Holding Company, Zenith Bank and Access Bank fell by 4%, 2% and 1% respectively.

The Exchange recorded more transactions, which appeared skewed towards low- to mid-priced stocks – total deals and transaction volume rose by m-o-m by 3.1% and 3.5% respectively. However, total Naira votes moderated by 0.3%.



Cowry Monthly Economic Digest: August 2021

Top Gainers and Bottom Losers

Top 10 Gainers	Prices (N)		
	31-Aug-21	30-Jul-21	%age Δ
SYMBOL			
HONYFLOUR	4.28	1.68	155%
MORISON	2.03	0.94	116%
UPDC [BLS]	1.86	1.20	55%
PHARMDEKO	1.62	1.09	49%
TRANSCO HOT [BLS]	5.17	3.57	45%
COURTVILLE	0.31	0.23	35%
BOCGAS	11.65	9.20	27%
AIRTELAFRI	750.00	615.00	22%
SKYAVN	4.05	3.33	22%
CONOIL	22.35	18.50	21%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	31-Aug-21	30-Jul-21	%age Δ
SYMBOL			
SCOA	1.44	2.38	-39%
UPL	1.21	1.43	-15%
NB	49.45	57.50	-14%
MBENEFIT	0.32	0.37	-14%
LASACO	1.39	1.60	-13%
CHAMPION [BLS]	2.00	2.25	-11%
WAPIC	0.49	0.55	-11%
TRANSCORP	0.91	1.02	-11%
TRANSEXPR	0.89	0.99	-10%

Source: Nigerian Stock Exchange, Cowry Research

New Listing

Dangote Cement Plc: The Nigerian Exchange Limited (NGX) notified Trading License Holders that the three tranches of Dangote Cement Plc's Bonds issued under the N300 Billion Debt Issuance Programme were listed on the Exchange on Tuesday, August 10, 2021. The bonds include:

3-Year 11.25% Senior Unsecured Fixed Rate Bond Due 2024; 5-Year 12.50% Senior Unsecured Fixed Rate Bond Due 2026; and 7-Year 13.50% Senior Unsecured Fixed Rate Bonds Due 2028.

Supplementary Listing

Federal Government of Nigeria: Trading License Holders were notified that additional units of the Federal Government of Nigeria Bonds, 12.98% FGN MAR 2050, issued in August 2021 were listed on the Nigerian Exchange Limited on Wednesday, August 25, 2021.

Reclassification of Stock

United Capital Plc: The NGX notified trading license holders and investors of the reclassification of United Capital Plc from the Low-Priced Stock Group to the Medium-Priced Stock Group, in line with The NGX's Pricing Methodology framework. United Capital Plc stock price appreciated above the N5 price level on March 19, 2021 and traded above N5 up till close of business on July 30, 2021. This indicates that United Capital Plc stock price has traded above N5 in at least 4 months out of the last 6 months. This reclassification also necessitates the attendant change in the tick size change from N0.01 kobo to N0.05 kobo - in line with Rule 15.29: Pricing Methodology, Rulebook of The Exchange, 2015 (Trading License Holders' Rules).



Cowry Monthly Economic Digest: August 2021

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