

Monetary Policy Tightening in View amid Stronger Output Growth

The global economy sustained growth for the sixteenth consecutive month in October as the J.P. Morgan Global Composite Output Index rose to 53.4 points (from 53.4 points in September). Expansion was faster in the services sector than in the manufacturing sector; although both sectors witnessed supply chain bottlenecks, rising price inflation and slower global exports all of which tended to deflate future business outlook. Built up backlogs partly increased requirements of staffing even as supply chain bottlenecks constituted a limiting factor and exacerbated input cost which businesses passed on to final consumers by way of higher output prices.

Global inflation was on the ascent in October as suggested by the global composite output price index which rose to 60.3 points. This was in addition to higher energy and food prices recorded in October. Meanwhile, on November 03, 2021, the US Federal Reserve left its policy rate unchanged at 0% - 0.25%. However, in line with expectations of contractionary monetary policies amid global economic recovery, the Fed decided to commence tapering of its monthly net asset purchases by USD10 billion for Treasury securities and USD5 billion for agency mortgage-backed securities at the latter part of the month.

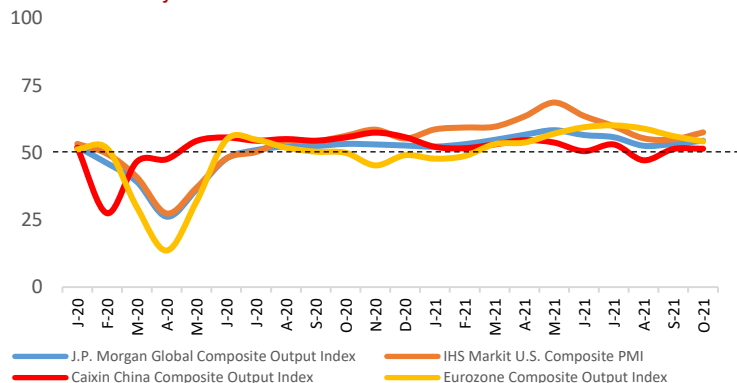
Nigeria's foreign exchange reserves rose m-o-m by 13.72% to USD41.83 billion at the end of October following the issuance of USD4 billion Eurobonds in the review month, a reduction in spurious demand for the greenback after CBN stopped selling USD to Bureau De Change operators in late July 2021, as well as an increase in global crude oil prices in September (Bonny Light rose m-o-m by 7.99% to USD84.35 a barrel).

Despite the boost in external reserves, the spread between the NAFEX rate and the parallel market rate widened further, as FX rate rose by 2.30% to N569.19/USD at the parallel market in October. Naira also depreciated at the I&E FX window by 0.57% to N415.10/USD.

Local savings rates and deposit rates generally averaged lower in September, further whittling the incomes of depositors amid growth in time deposits – quasi money rose m-o-m by 0.40%. In the same vein, maximum lending rates moderated, on average, to 27.10% in September (from 28.00% in August). However, prime lending rates rose on average to 11.73% (from 11.62%).

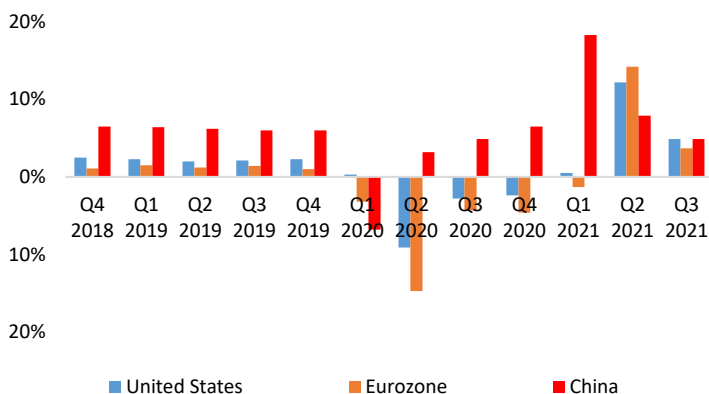
Global Economy

PMIs of Major Economies



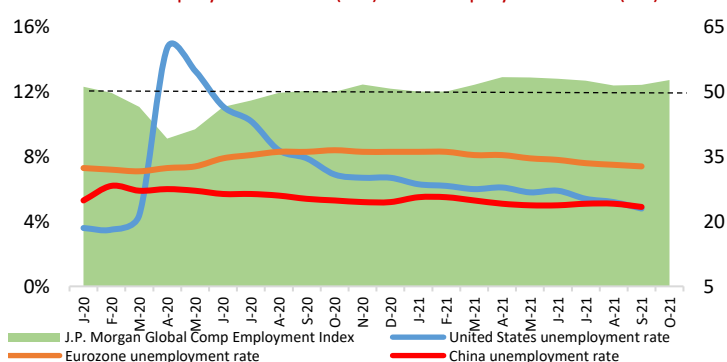
Source: Markit Economics, Cowry Research

GDP Growth Rates of Major Economies



Source: Trading Economics, Cowry Research

Global Employment Index (rhs) vs Unemployment Rate (lhs)



Source: Markit Economics, Trading Economics, Cowry Research

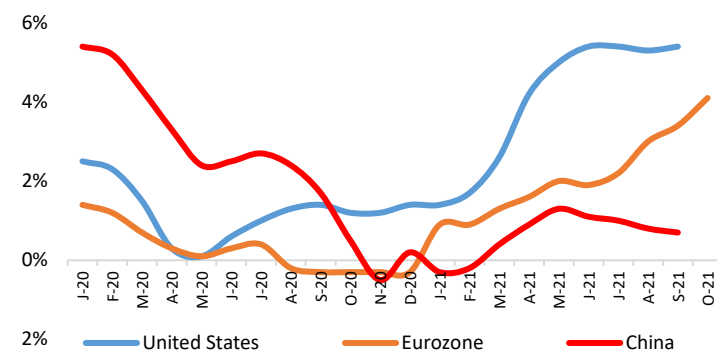
The global economy sustained growth for the sixteenth consecutive month in October as the J.P. Morgan Global Composite Output Index rose to 53.4 points (from 53.4 points in September). Expansion was faster in the services sector than in the manufacturing sector; although both sectors witnessed supply chain bottlenecks, rising price inflation and slower global exports all of which tended to deflate future business outlook. Built up backlogs partly increased requirements of staffing even as supply chain bottlenecks constituted a limiting factor and exacerbated input cost which businesses passed on to final consumers by way of higher output prices.

All three major categories in the services sector – business services, financial services and consumer services – witnessed faster output expansions. As for the manufacturing sector, higher output in the consumer and intermediate goods industries offset contraction in investment goods production.

Meanwhile, U.S GDP grew by year-on-year by 4.9% in Q3 2021 (according to an advance estimate), slower than 12.2% in the preceding quarter. Personal consumption expenditure grew by 7.0% (of which services and goods sectors grew by 7.1% and 6.9% respectively) and Gross private domestic investment rose by 6.9% to partly offset a 28.4% increase in net imports. In Europe, seasonally adjusted GDP rose y-o-y by 3.7% in the Euro area and by 3.9% in the EU in Q3 2021, slower than their corresponding growth rates of 14.2% and 13.7% in Q2 2021.

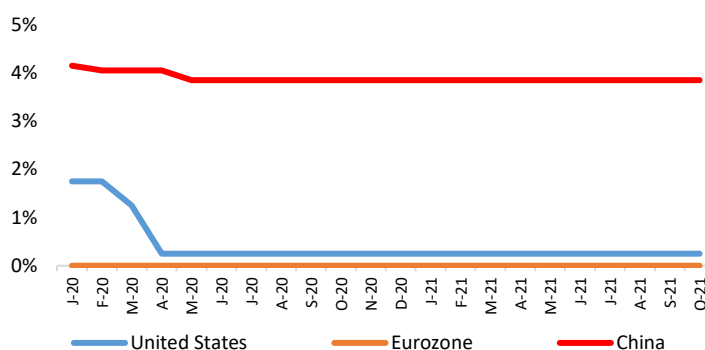
On the jobs front, Unemployment eased in the United States, Euro area and China to 4.8%, 7.4% and 4.9% respectively.

Inflation Rates of Major Economies



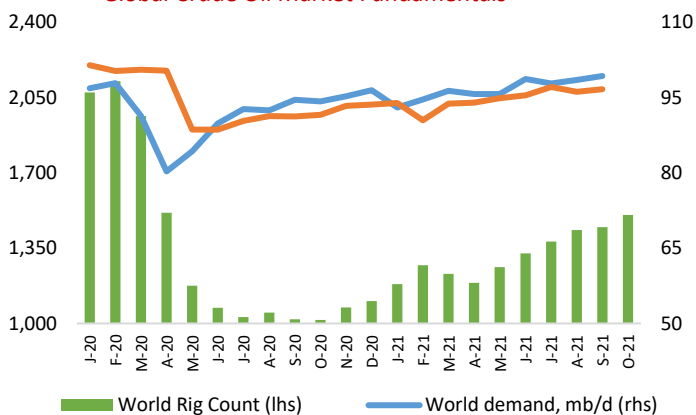
Source: Trading Economics, Cowry Research

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

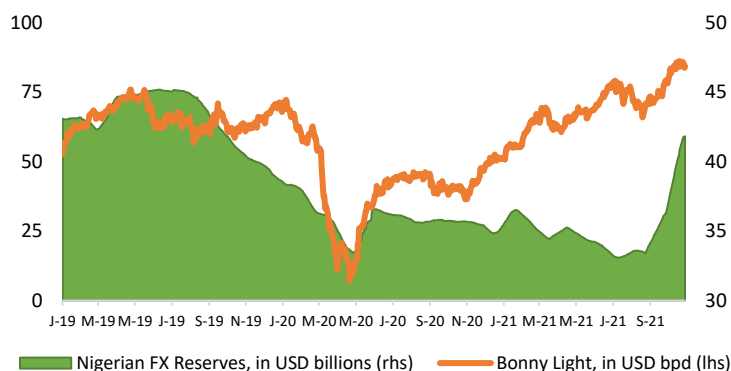
Global inflation was on the ascent in October as suggested by the global composite output price index which rose to 60.3 points. This was in addition to higher energy prices – spot Brent crude oil price increased m-o-m by 12.15% to average USD83.54 a barrel in October. Also, global food index increased to 133.2 in October (from 129.2 in September) according to Food and Agriculture Organization amid rises in prices of dairy, cereals and oil subcomponents. Geographically, latest data showed that the Euro Area registered an increase in inflation rate to 4.1% in of October (from 3.4% in of September).

Meanwhile, on November 03, 2021, the US Federal Reserve left its policy rate unchanged at 0% - 0.25%. However, in line with expectations of contractionary monetary policies amid global economic recovery, the Fed decided to commence tapering of its monthly net asset purchases by USD10 billion for Treasury securities and USD5 billion for agency mortgage-backed securities at the latter part of the month. The U.S. 10-year bond yield and 1-year T-Bill yield rose to 1.57% and 1.49% respectively at the end of October (from 1.49% and 0.079% at the end of September).

In the global energy market, latest series from the US EIA showed that world crude oil consumption increased m-o-m by 0.82% to 99.3 million barrels per day (mbpd) in September, higher than world crude oil supply which rose by 0.57% to 96.7 mbpd. Against the backdrop, world rig count increased by 3.87% to 1,504 in October, indicative of increased confidence of oil & gas investors in the near-term future of global crude oil consumption.

Nigerian Economy

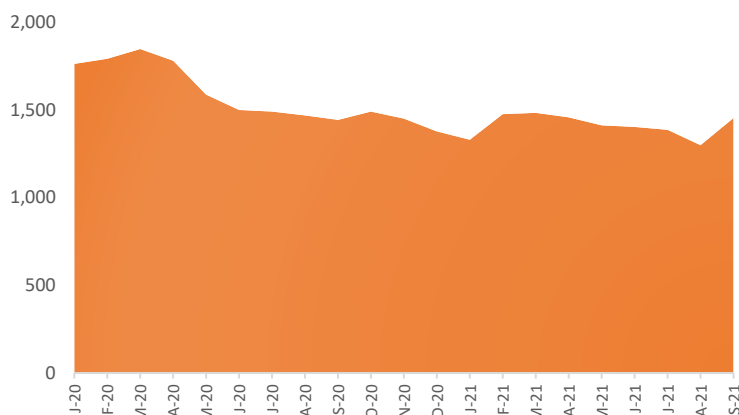
Evolution of Nigerias FX Reserves



Source: Central Bank of Nigeria, Cowry Research

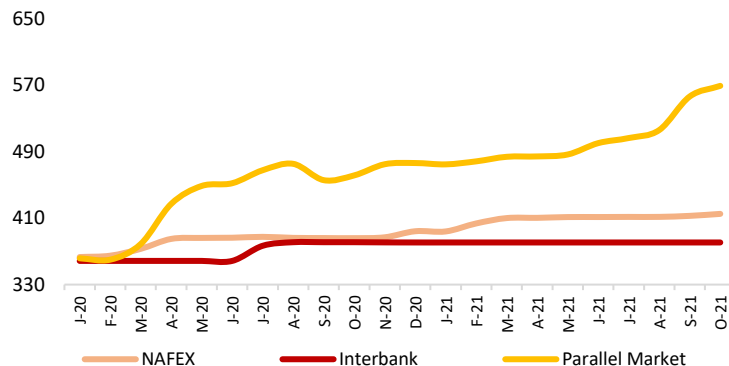
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Nigeria's Average Crude Oil Production '000 bpd



Source: Opec, Cowry Research

Evolution of Naira/USD Exchange Rates



Source: FMDQ, Abokifx.com, Cowry Research

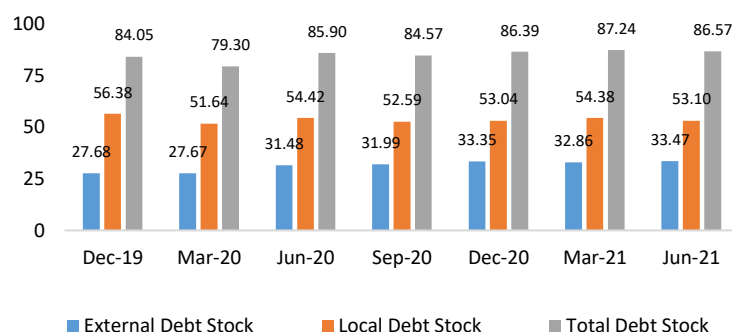
Despite the boost in external reserves, the spread between the NAFEX rate and the parallel market rate widened further, as FX rate rose by 2.30% to N569.19/USD at the parallel market in October. Naira also depreciated at the I&E FX window by 0.57% to N415.10/USD.

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

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

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

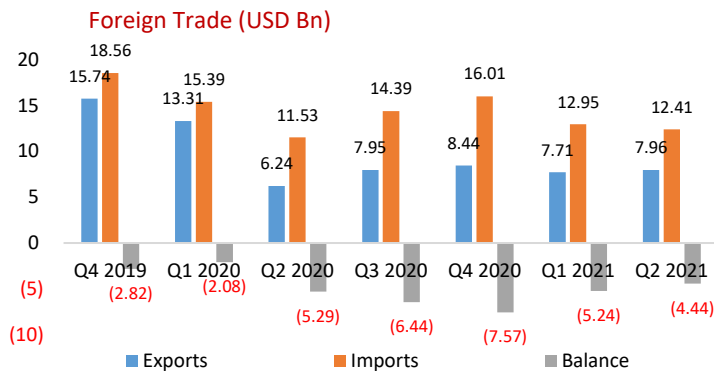
National Debt Stock (USD Bn)



Source: Debt Management Office, Cowry Research

Nigeria Records Narrower Trade Deficit in Q2 2021

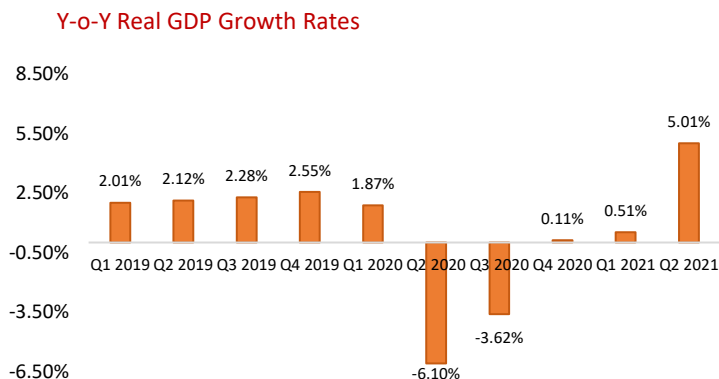
In Q2 2021, Nigeria recorded a 15.2% q-o-q decrease in trade deficit to USD4.44 billion, driven by a 4.2% increase in imports to USD12.41 billion, higher than a 3.2% increase in exports to USD7.96 billion recorded during the period.



Source: Central Bank of Nigeria, Cowry Research

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

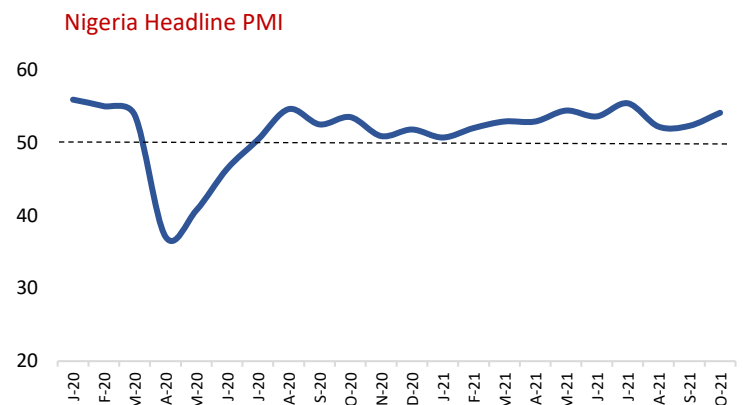
In Q2 2021, Nigeria printed a y-o-y real output growth rate of 5.01% to or USD111.08 billion; propelled essentially by a 6.74% growth in non-oil sector. However, oil & gas sector declined by 12.65% as average daily oil production fell y-o-y by 12.29% to 1.42 million barrels per day (mbpd).



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

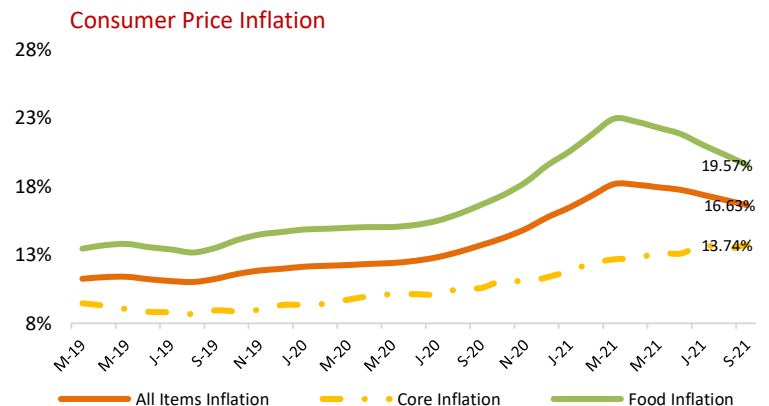
Nigeria's Purchasing Managers' Index Points to Sustained Growth

The IHS Markit-Stanbic IBTC headline PMI rose to 54.1 points in October from 52.3 points in September as Business activity expanded across the Manufacturing, Wholesale & Retail, Services and Agricultural sectors. This was amid reports of improved market conditions and rising client requirements.



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

In September, annual inflation rate eased to 16.83% (from 17.01% recorded in August); driven by slower increase in food Inflation. Against the backdrop of the harvest season coupled



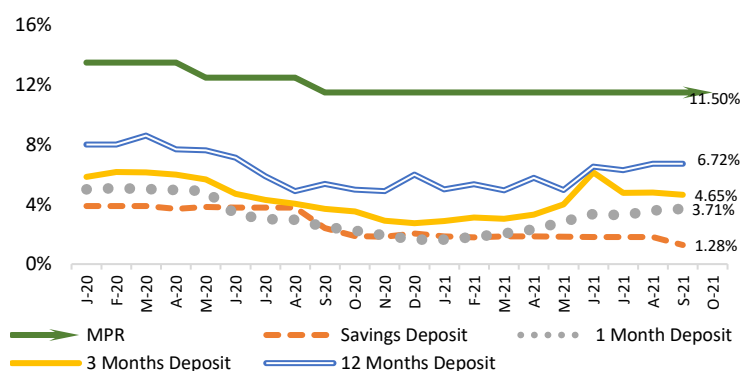
Source: National Bureau of Statistics, Cowry Research

with sustained high-base effect, the food inflation slowed to 19.57% in September (from 20.30% in August) as prices of oils & fats, bread & cereals, fish, coffee, tea & cocoa fell. On the other hand, core inflation rate rose to 13.74% (from 13.41% in August) on the back of faster y-o-y rise in prices of clothing & footwear, Housing water, electricity, gas & other utilities, as well as furnishings & household equipment maintenance.

Savers Generally Saw Lower Rates in September

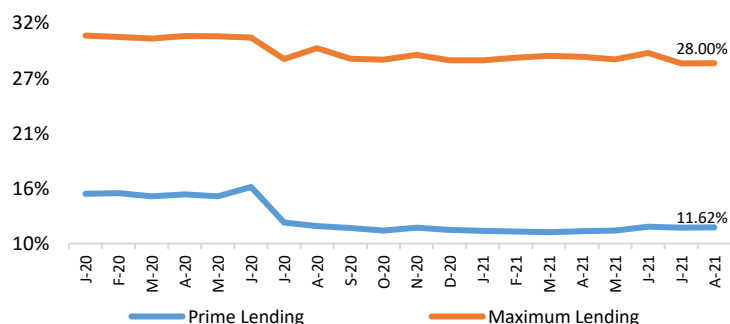
Savings rates and deposit rates generally averaged lower in September, further whittling the incomes of depositors amid growth in time deposits – quasi money rose m-o-m by 0.40%.

Interest Rates on Commercial Bank Deposits



Source: Central Bank of Nigeria, Cowry Research

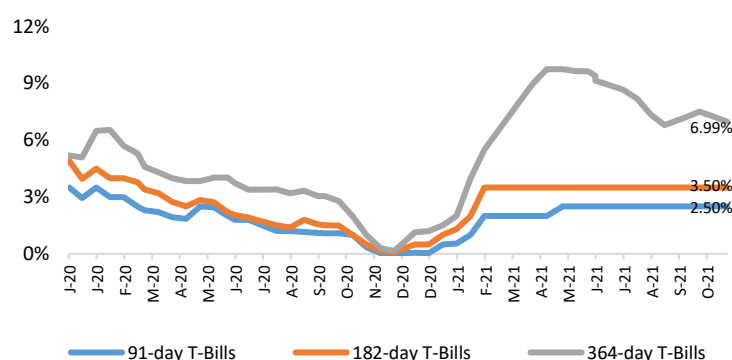
Lending Rates of Commercial Banks



Source: Central Bank of Nigeria, Cowry Research

In the same vein, maximum lending rates moderated, on average, to 27.10% in September (from 28.00% in August). However, prime lending rates rose on average to 11.73% (from 11.62%). The spread between the two rates narrowed to 15.37ppt in September from 16.38ppt in August.

Nigerian Treasury Bill Stop Rates



Source: Central Bank of Nigeria, Cowry Research

Stop rate for the 364-day Nigerian T-Bill fell to 6.99% at the end of October (from 7.25% as at September ending). However, stop rates of auctioned 91-day T-bill and 182-day T-bill was flat at 2.50% and 3.50% respectively. In the secondary market, sentiment was bearish as NITTY rose across all tenors. Notably, 6 months and 12 months NITTY rose by 0.19ppt and 0.15ppt to 5.05% and 7.60% respectively in October.

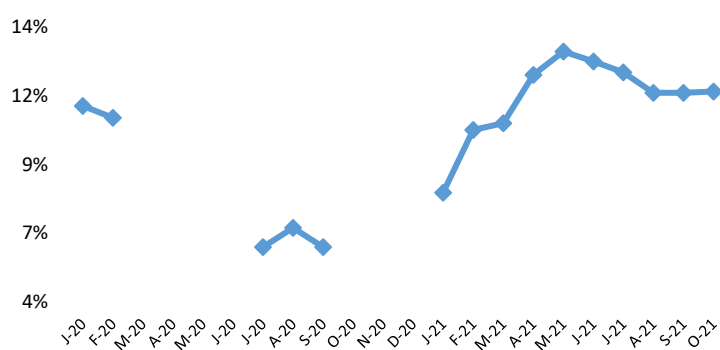
Monthly NITTY Performance

Tenor	October 2021 Close	September 2021 Close	PPT
1 Month	3.2202%	3.2550%	(0.03)
3 Months	3.8997%	3.8971%	0.00
6 Months	5.0483%	4.8589%	0.19
12 Months	7.6036%	7.4583%	0.15

Source: FMDQ, Cowry Research

In October, FGN bonds were auctioned at higher stop rates for the 10-year, 20-year and 30-year maturities at 11.65%, 12.95% and 13.20% respectively (from 11.60%, 12.75% and 13.00% in September). This was as a result of reduced subscription levels amid uncertainty about the direction of yields.

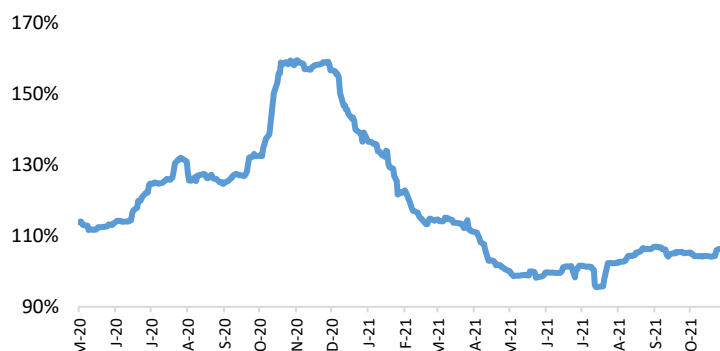
10-Year FGN Bond Stop Rates



Source: Debt Management Office, Cowry Research

In the secondary market, FGN bonds generally traded at relatively lower premia in October relative to September as the ratio of market capitalization to outstanding value fell, on average, to 104.76% in October from 105.70% in September.

Market Cap/Outstanding Value (%)



Source: FMDQ, Cowry Research

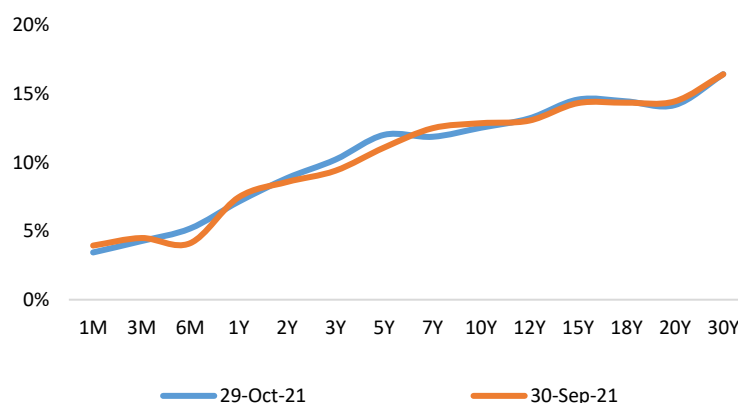
FGN bond prices generally fell across maturities tracked. The 7-year, 13.53% FGN March 2025 plain vanilla paper lost N2.83; the 7-year, 11.20% FGNSK June 2027 sukuk bond shed N1.62; the 7-Year, 14.50% FGNGB JUN 2026 green bond lost N4.10; while the 7-year, 7.62% FGNEUR NOV 2025 Eurobond moderated by USD2.02.

	29-Oct-21	M-o-M	29-Oct-21	M-o-M
FGN Bonds	Price (₦)	₦ Δ	Yield	PPT Δ
5-Year, 12.75% FGN APR 2023	106.39	(0.25)	8.09%	(0.06)
7-Year, 13.53% FGN MAR 2025	108.53	(2.83)	10.46%	0.85
10-Year, 16.29% FGN MAR 2027	118.68	(2.76)	11.52%	0.55
30-Year, 14.80% FGN APR 2049	113.94	0.92	12.94%	(0.11)
7-Year, 11.20% FGNSK JUN 2027	98.67	(1.62)	11.52%	0.40
7-Year, 14.50% FGNGB JUN 2026	110.44	(4.10)	11.51%	1.02
7-Year, 7.62% FGNEUR NOV 2025	108.57	(2.02)	5.25%	0.48

Source: FMDQ, Cowry Research

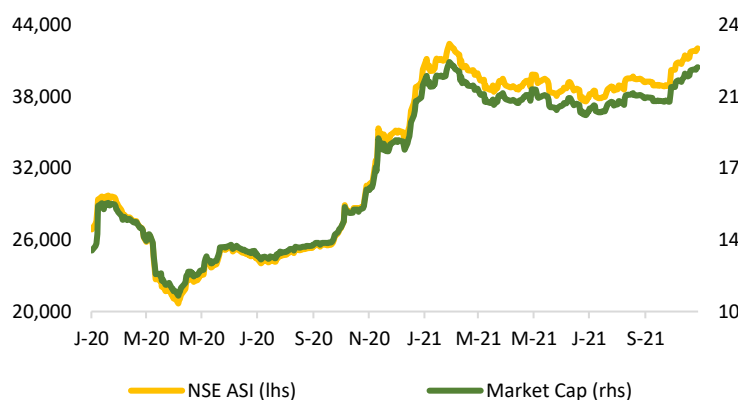
The normal yield curve at the end of October was relatively unchanged from the yield curve as at the end of September – which hinted of uncertainty given the zig-zag movement in stop rates in the last few months.

Spot Yield Curve of FGN Bonds



Source: FMDQ, Cowry Research

Evolution of NSE ASI and Market Cap (N Trn)



Source: Nigerian Stock Exchange, Cowry Research

NSE Indices	Oct Close	Sept Close	%age Δ	YTD %age Δ
NSE ASI	42,038.60	40,221.17	4.5%	4.4%
Market Cap (N trillion)	21.94	20.96	4.7%	4.2%

Source: Nigerian Stock Exchange, Cowry Research

Sector Indices	Oct Close	Sept Close	%age Δ	YTD %age Δ
NSE Banking	410.39	370.85	10.7%	4.4%
NSE Insurance	179.92	173.04	4.0%	-5.1%
NSE Consumer Goods	569.51	567.17	0.4%	-0.7%
NSE Oil/Gas	390.90	367.27	6.4%	72.8%
NSE Industrial	2,177.38	2,089.38	4.2%	6.1%

Source: Nigerian Stock Exchange, Cowry Research

Market Activity	Oct-21	Sept-21	%age Δ
Deals	93,346	76,662	21.8%
Volume (million)	9,583	6,371	50.4%
Value (N million)	106,547	59,077	80.4%

Source: Nigerian Stock Exchange, Cowry Research

In the month of October, the twin equities market performance measures, NSE ASI and market capitalization, each rose m-o-m by more than 4% to close at 42,038.60 points and N21.94 trillion respectively.

The sustained positive performance of the equities market was driven by increased bullish activity amid release of improved corporate earnings in the third quarter of 2021 that also signposted a positive outlook for FY 2021, especially for dividend-paying stocks.

The Banking sector gained the most (NSE Banking Index rose by 10.7%) as shares of top tier banks, Ecobank Transnational Incorporated and FBN Holdings appreciated by 65% and 37% respectively. The latter was mainly on account of significant acquisitions by a major investor. Similarly, the Oil/Gas sector rose m-o-m by 6.4% (and y-t-d by 72.8%) as shares of Total Energies and Eterna Oil buoyed by 25% and 24% respectively.

Industrial stocks also fared better having firmed by 4.2% on the back of an 18% appreciation in share of Lafarge Africa. The NSE Insurance Index also rose by 4.0% following gains on shares of AllCO Insurance and NEM Insurance of 31% and 5% respectively. Finally, the NSE Consumer Goods Index upped by 0.4% as Guinness shares rose by 31%.

Having recorded more gainers than losers, 55:31, in the review month, the year-to-date performance of the local bourse came in positive at 4.4%. The Exchange also chalked greater transactions as total deals, volume and Naira votes significantly rose m-o-m by 21.8%, 50.4% and 80.4% as investors positioned in dividend-paying stocks.

Top Gainers and Bottom Losers

Top 10 Gainers	Prices (N)		
	29-Oct-21	30-Sep-21	%age Δ
Symbol			
UPL	2.17	1.23	76%
ETI	8.90	5.40	65%
CHAMPION [BLS]	3.00	2.09	44%
FBNH	11.05	8.05	37%
AIICO	1.24	0.95	31%
CUTIX	6.30	4.95	27%
CUSTODIAN	8.45	6.70	26%
COURTVILLE	0.44	0.35	26%
TOTAL	240.80	192.00	25%
ETERNA	8.65	7.00	24%

Source: Nigerian Stock Exchange, Cowry Research

Bottom 10 Losers	Prices (N)		
	29-Oct-21	30-Sep-21	%age Δ
Symbol			
ROYALEX	0.50	0.73	-32%
REGALINS	0.37	0.44	-16%
ACADEMY	0.33	0.39	-15%
LINKASSURE	0.53	0.60	-12%
MAYBAKER	4.36	4.88	-11%
FTNCOCOA [RST]	0.44	0.49	-10%
MORISON	1.89	2.10	-10%
VANLEER	5.45	6.05	-10%
BOCGAS	10.50	11.65	-10%

Source: Nigerian Stock Exchange, Cowry Research

Additional Listing

Jaiz Bank Plc: The Nigerian Exchange Limited (NGX or the Exchange) notified trading license holders that additional 5,076,923,077 ordinary shares of 50 kobo each of Jaiz Bank Plc were on Monday, 4 October 2021, listed on the Daily Official List of the NGX. The additional shares listed on NGX arose from

Jaiz Bank's private placement of 5,076,923,077 ordinary shares of 50 kobo each to Alhaji (Dr.) Muhammadu Indimi at N0.65 per share. With the additional listing, the total issued and fully paid-up shares of the Bank increased from 29,464,249,300 to 34,541,172,377 ordinary shares of 50 kobo each.

New Listing

Nigerian Exchange Group Plc: The NGX notified trading license holders that the entire issued and fully paid 1,964,115,918 ordinary shares of 50 Kobo each of the Nigerian Exchange Group Plc (NGX Group) were listed by Introduction on the Main Board of the Exchange at N16.15 per share on Friday, 15 October 2021.

Lifting of Trading Suspension

African Alliance Insurance Plc and Royal Exchange Plc: The NGX notified trading license holders and investors that the suspension placed on trading on the shares of African Alliance Insurance Plc and Royal Exchange Plc on July 02, 2021 was lifted on October 04, 2021. This followed the filing of their Audited financial statements for the year ended December 31, 2020 and Unaudited Financial Statements for the quarter ended 31 March 2021 in compliance with Rule 3.3 of the Default Filing Rules.



Cowry Monthly Economic Digest: October 2021

IMPORTANT DISCLOSURES: This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents.