

Teakwood Digest – Monday, April 08, 2019.

Financial Planning

Having an Pension Plan is paramount

Recently, President Muhammadu Buhari inaugurated the Micro Pension Plan, an initiative of the pension regulator (NAICOM) with a goal to include individuals, employees and businesses in the informal sector to help them have access to save for after retirement. Pension generally is an amount of money set aside either by an individual, employee or government to save and invest for retirement. While a pension plan is a deliberate strategy that an individual undertakes to save for a long term most times for retirement. The need for a pension plan cannot be overemphasized. Though just starting to have a pension plan is still great, it is always advisable to have a pension plan as early as possible to enable the individual prepare better for years after work. Pension planning should go beyond the cash and money balances in your Retirement savings account, but having to put in place structures within and around you that takes into consideration your partner, health care, benefits for your offspring, lifestyle and generally your cash generating investments. With this new initiative by the pension regulator to increase the pension accessibility in Nigeria, Nigerian SME businesses and individuals who do not fall within the purview of a salary earner e.g. entrepreneurs, farmers, contractors, traders can have access to a pension plan. Having a pension plan helps to create discipline by committing yourself to make remittances into your Retirement account. Having a pension plan can also be used to own an apartment for yourself and family through the use of a mortgage. To wrap it all up, having a pension plan should go beyond savings as one should always incorporate other part of his/her life in planning for a life after work.

Global Economy

With the United States unemployment rate at 3.8%, the lowest in almost 50 years, hiring in the U.S. rebounded in March 2019 as employers added 196,000 jobs. This went up sharply as compared to a scanty gain of 20,000 jobs added in February 2019. With the rebounds in hiring last month, this suggests that businesses and employees still remain confident that the economy still remains strong. The U.S. Federal Reserve February report on consumer borrowings revealed that consumer borrowings within the U.S. increased by \$15.2 billion as compared to an increase of \$17.7billion recorded in January 2019. Over the past eight months, increase in auto and student loans had the slowest growth. British Prime Minister Theresa May has asked the European Union to delay Brexit until June 30, 2019. This is to avoid a chaotic withdrawal from the European Union in a week, but a key EU leader is suggesting an even longer delay in the difficulty in reaching a Brexit deal. The issue of timing is vital because Britain is set to leave the European Union without a withdrawal deal in place on April 12, 2019 unless an agreement is reached at a Brussels summit set to take place two days earlier. David Malpass, the Treasury official nominated by President Donald Trump to head the 189-nation World Bank, has won election to the post. The World Bank says Malpass was approved unanimously by the bank's 25-member board on Friday. As Egypt nears the end of the IMF program, the Arab state located in Northern Africa has announced that from June 15, it would be removing subsidies on most energy products. This has been part of a review of Cairo's three-year \$12 billion loan program with the IMF.

Domestic Economy

The Federal Government of Nigeria has projected a 3.01% growth for the 2019 GDP estimated at N139.65 trillion. The FG has also stated that for the 2019 budget deficit of N1.859 trillion, the federal government has planned to finance the deficit with the introduction of new tax and also adopting a concessionary financing system under its privatization programme. Nigeria's Apex Bank on Friday intervened in the Foreign Exchange Market by injecting the sum of \$247.8 million to the retail Secondary Market Intervention Sales and CNY43.8million in the spot and short tenured forwards. The International Monetary Fund (IMF) in its Article IV on Nigeria is pleased with the Nigerian Apex bank's restrictive monetary policy, stating that this is appropriate considering the state of the economy. The IMF went further to highlight that with the Nigerian inflation still above the CBN target, a tight monetary policy would be appropriate urging the central bank to enhance transparency and communication and to improve the monetary policy framework with the inclusion of more traditional methods. On the flip side, the IMF criticized the policy on foreign exchange restrictions stating that although the continued focus of monetary policy on exchange rate stability would help contain inflation, it would also worsen competitiveness if greater flexibility is not accommodated when needed. The IMF urged the CBN to adopt a monetary policy framework involving the use of more traditional methods such as raising the monetary policy rate (MPR) or the cash reserve requirement (CRR) stating that other limitations to growth include widening infrastructure gap, low revenue mobilization, governance, and institutional weaknesses and continued reliance on volatile oil prices and production. The high level of banditry, killings and kidnapping witnessed in Zamfara, has led to massive protest calling on the Presidency to immediately address the situation. The federal government has reacted by ordering the suspension of all mining activities in Zamfara and other affected states within 48 hours.

Money Market

In the week ending April 05, 2019, money market rates spiked as the CBN resumed the its system liquidity mop-up with the sale of Open Market Operation (OMO) worth ₦325 billion. Data as released by the FMDQ on Friday April 05, 2019 revealed that the Open Buy Back (OBB) and Over Night (O/N) rates closed the week at 15.29% and 16.14% from 14.26% and 14.83% respectively. Also, call rates were up, reaching a double digit rate of 13.00% from 10.50% at the start of the week. On the longer tenure, rates spiked as one month, three months and six months rate closed at 13.25%, 13.88% and 15.63% respectively.

Stock Market

Last week ending April 05, 2019, equities trading Nigeria Stock Exchange (NSE) closed on the red zone. The bourse experienced mass selloffs in all sectors of the market. The market ended the week declining 4.59%. The All Share Index (ASI) shed 1,425.04 points from 31,041.42 basis point at the beginning of last week to close at 29,616.38 basis points at the end of the week. Also in line with the bearish trajectory, Market Capitalization fell from ₦11.672trillion at the beginning of last week losing ₦548billion to close at ₦11.124trillion. Year to Date, Month to Date and Week to Date stands at a loss of -5.77%, -4.59% and -4.59% respectively. Investors in the Nigerian Capital Market are in search for a clear economic policy which would bolster economic and infrastructural development and also deepen the financial market.

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NIGERIA MACRO FUNDAMENTALS		
Indicators	Current Figures	Note
GDP Growth (%) (Q-Q)	2.38	As at Q4 2018. From 1.81% in Q3 2018
Inflation % (Y to Y)	13.1	February 2019. Fell from 11.37% in Janaury 2019
Monetary Policy Rate (%)	13.5	As at March 26, 2019. From 14% since July 2016.
Assymetric Corridor (%)	13.5 (+2/-5)	Lending rate 15.5%, Deposit rate 8.5%
External Reserves (US\$ Billion)	44.682	As at April 04, 2019. Rose from \$44.143bn in March 26, 2019
Oil price Brent (US\$/Bbl)	70.34	As at April 05, 2019.
Oil production (mbpd)	1.738	March 2019 figure. From 1.88mbpd in February, 2019

NSE SNAPSHOT				
Indicator	Level	1 Day %	MTD	YTD (%)
NSEASI	29,616.38	0.21%	-4.59%	-5.77%
Volume Traded (Units)	401,185,077			
Value Traded (NGN)	3.492billion			
Number of Deals	3,575			
Equity Capitalization (NGN)	11.124trillion			
Bond Capitalization (NGN)	10.78trillion			

Trade as at April 05, 2019.

NSE INDICES				
	Index	WTD	MTD	YTD (%)
NSE 30	1,324.07	-4.9%	-4.9%	-6.6%
PENSION 40	1,123.20	-5.5%	-5.5%	-7.0%
BANKING	379.35	-6.1%	-6.1%	-4.9%
CONSUMER GOODS	656.29	-7.7%	-7.7%	-12.4%
OIL & GAS	283.5	-2.4%	-2.4%	-6.2%
INSURANCE	121.12	-3.9%	-3.9%	-4.2%
INDUSTRIALS	1,159.38	-6.5%	-6.5%	-6.3%

YIELDS ON TREASURY BILLS		YIELDS ON FGN BONDS	
	Current Yield		Current Yield
30 Days	11.40%	3 YEARS	14.34%
61 Days	11.90%	5 YEARS	14.44%
182 Days	14.04%	7 YEARS	14.37%
273 Days	14.64%	10 YEARS	14.71%
314 Days	14.59%	15 YEARS	14.32%

HARD CURRENCY		
	Buy (NGN)	Sell (NGN)
NGN/USD	358	360
NGN/GBP	470	475
NGN/EUR	400	405

SPOT FX	
	NGN/USD
CBN Official	307.00
CBN SMIS Window	355.78
I&E FX Window	360.33

MONEY MARKET	
	Rate (%)
OBB	15.29%
O/N	16.14%
REPO	
Call	13.00%
1 month	13.25%
3 month	13.88%
6 month	15.63%

FORWARD FX	
	NGN/USD
30 Days	362.96
60 Days	365.9
90 Days	369.19
180 Days	381.39
1 year	403.57

MUTUAL FUNDS	
Average Returns	Yield/YTD(%)
Equity	-0.57%
Fixed Income	12.85%

EXCHANGE TRADED FUNDS	
ETF Underlying	YTD (%)
Banking	-1.05%
Consumer Goods	-15.11%
Industrials	-3.36%
NSE 30	-5.02%
Pension 40	-8.81%

COMMODITIES MARKET		
Indicators	Price	YTD
Energy		
Crude Oil (Brent) US\$/bbl	70.34	30.7%
Natural Gas US\$ MMBtu	2.679	-8.9%
Metals		
Gold US\$/t oz	1,295.90	1.1%
Silver US\$/t oz.	15.08	-3.0%
Copper (US\$/lb.)	288.9	9.8%
Agriculture		
Wheat (US\$/bu)	467.75	-7.1%
Coffee (US\$/lb)	93.6	-7.9%
Cotton (US\$/lb.)	78.34	8.4%
Cocoa (US\$/MT)	2414	-0.2%
Sugar (US\$/lb.)	12.75	5.4%

GLOBAL STOCK MARKET		
Stock Markets	Index	YTD (%)
America		
 DJIA	26,424.99	13.25%
 S&P 500	2,892.74	15.28%
 NASDAQ COMPOSITE	7,938.69	19.20%
Europe		
 FTSE 100	7,446.87	10.32%
 DAX	12,009.75	13.44%
 CAC 40	5,476.20	15.74%
Asia		
 NIKKEI 225	21,807.50	8.96%
 SHCOMP	3,246.57	30.18%
 KOPSI	2,209.61	8.26%
Africa		
 JSE FTSE	57,776.36	9.56%
 GSE COMPOSITE	2,444.43	-2.20%
 EGX 30	15,135.47	16.11%

Disclaimer: The information stated above are based on publicly available information collated from reliable source used by our analyst(s) to reach conclusions that are intended to inform users. We therefore indemnify ourselves from any action taken without appropriate guidance. Kindly note that the aforementioned numbers are estimates and are subject to change based on prevailing economic conditions.