

Teakwood Digest – Monday, April 29, 2019.

Financial Planning

Why Personal Budgeting?

A budget is an estimate of income and expenses over a specified period of time. This period of time is mostly futuristic in nature and has to be reviewed periodically. This is also related to Personal Budgeting which has to do with an individual, couple or family. Knowledge they say is power, so in other to achieve control over your finances, it is expedient to be well informed about your spending and income pattern. A personal budget serves as a spending plan allowing an individual to have a broad view on how much money he/she earns, how much is available for spend and the true state of one’s financial position.

With the knowledge of your basic expense and income pattern, you can easily gain control of your financial resources, plan better and achieve your financial goals.

Notwithstanding the level of income earned by an individual which may becloud the thought of having more to spend, so why budget? This should not be so because no matter the amount of money you have, it is insufficient as human wants are insatiable.

Having a budget helps to know the kind of house and location of house you can afford, the school your kids can attend, the amount of money that is feasible to maintain a lifestyle and prioritizing some expenses either capital or recurrent.

Budget planning could be thought of as time consuming, but the benefits would always outweigh the cost of time spent in drafting out a personal budget.

Global Economy

The United States, GDP has expanded 3.2% in the Q1 2019 (January to March 2019). This has been the best start since 2015. Exports were up 3.7% while imports down by same 3.7% resulted to a positive net trade. Personal savings were also up by 1.2%. This was also bolstered by investments in intellectual property by 8.6%. Disposable income went up by 3% while general prices were up 0.8%. As investors still raising concerns for an imminent recession, this positive numbers in the GDP reports helps to cool of the heat of a slowing global growth.

China President Xi Jinping said a deal of \$64bn has been signed for the China Belt and Road Initiative. The Belt and Road Initiative (BRI) is a development strategy adopted by the Chinese government for infrastructural development and investment in 152 countries and international organizations in other countries. This is in a bid to enhance regional connectivity and embrace a brighter future.

Prime minister of Japan, Shinzo Abe, visited the White House to discuss completing a trade deal. On the discussion were plans to make up a trade deal for the US farmers to have access to the Japan agriculture market but it was not consummated. The United States did not offer any concession to Japan leaving Abe no trade off on the part of the United States.

Spain which has concluded its general election with PM Pedro Sanchez socialist party pulling 29% vote which has always promised its supporters a pro-European government that would tackle inequality. Pedro Sanchez would need the help of either left-wing Podemos and regional parties, or the center right, to form a government.

Domestic Economy

The NNPC has projected that Nigeria needs a capacity of 1.52 million barrels per day to meet the Premium Motor Spirit (PMS) by 2025. PMS, popularly known as Petrol is the most demanded refined product from the crude oil due to the fact that its generally used by vehicles and generators. The country’s petroleum products demand is expected to grow from 13.2 million metric tonnes (MMT) in 2015 to 15.1MMT by 2020, and 17.3MMT by 2025.

World bank Loan portfolio in Nigeria currently stands at \$8.67bn. Loans from the International Development Association currently stands at \$8.55bn while loans from the International Bank for Reconstruction and Development amounts to \$124.18m. This has increased by an absolute figure of 2bn, an increase of almost 30%.

Looking into 2019, the DMO boss has said that the nation would be striving to achieve a 50-50 split of domestic and external borrowings.

Chairman and Founder of Heirs Holding, Tony Elumelu, while speaking at a Tax conference in Abuja disclosed that an average business pays 48 taxes adding that with the multiple taxation in Nigeria, its very unlikely for investors and entrepreneurs to succeed in the Nigerian market.

Tony Elumelu called for more double taxation arrangements stressing that despite Nigeria being the biggest economy in Africa, Nigeria has only 14 Double Taxation Arrangement as compared to 79 in South Africa. He also called for a far-reaching tax reforms and an urgent need to pass the executive tax bill. With the Federal government quest to increase foreign investment in Nigeria’s oil and gas sector, Nigeria and the Saudi Kingdom are set to sign an oil and gas infrastructure MOU early next month. This deal would solidify the new oil and gas development partnership between Nigeria and the Kingdom. Areas of interest would cover existing refinery revamp, building of a brand-new refinery, LNG investments and product supply trading in crude and refined products.

Money Market

In the week ending April 26, 2019, money market rates spiked. Data as released by the FMDQ revealed that the Open Buy Back (OBB) and Over Night (O/N) rates closed the week at 16.43% and 17.29% from 9.86% and 10.57% respectively. Also, call rates were up, reaching a double-digit rate of 16.50% from 10.0% at the start of the week. On the longer tenure, rates spiked as one month, three months and six months rate closed at 15.13%, 15.75% and 18.0% respectively.

Stock Market

Last week, we witnessed a number of corporate happenings as regards the listing and sale of companies. Dangote Flourmill is to be sold to Olam International for a ₦130billion purchase consideration. Also, telecommunication giant, MTN, has taken a big step in its listing process by converting its incorporation status to a Plc. SAHCO was officially welcomed to the bourse via its listing of 1.31 billion shares which was undersubscribed by 35%. Equities trading on the Nigeria Stock Exchange (NSE) still maintained its red zone territory. The market ended the week declining -1.15%. The All Share Index (ASI) shed 345.9 points from 30,086.31 basis point at the beginning of last week to close at 29,740.41 basis points at the end of the week. Also in line with the bearish trajectory, Market Capitalization fell from ₦11.30trillion at the beginning of last week losing ₦123billion to close at ₦11.177trillion. Year to Date and Month to Date stands at a loss of -5.38% and -4.19% respectively.

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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)	11.25	March 2019. Fell from 11.31% in February 2019
Monetary Policy Rate (%)	13.5	As at March 26, 2019. From 14% since July 2016.
Assymmetric Corridor (%)	13.5 (+2/-5)	Lending rate 15.5%, Deposit rate 8.5%
External Reserves (US\$ Billion)	44.777	As at April 24, 2019. Rose from \$44.736bn in April 17, 2019
Oil price Brent (US\$/Bbl)	72.15	As at April 26, 2019.
Oil production (mbpd)	1.738	March 2019 figure. From 1.88mbpd in February, 2019

NSE SNAPSHOT				
Indicator	Level	1 Day %	MTD	YTD (%)
NSEASI	29,740.41	0.60%	-4.19%	-5.38%
Volume Traded (Units)	244,576,171			
Value Traded (NGN)	1.542billion			
Number of Deals	3,444			
Equity Capitalization (NGN)	11.177trillion			
Bond Capitalization (NGN)	10.695trillion			
ETF Capitalization (NGN)	5.65billion			
Trade as at April 26, 2019.				

NSE INDICES				
	Index	WTD	MTD	YTD (%)
NSE 30	1,332.75	-1.4%	-4.3%	-6.0%
PENSION 40	1,113.76	-2.7%	-6.3%	-7.8%
BANKING	385.87	-0.1%	-4.5%	-3.3%
CONSUMER GOODS	673.00	-2.6%	-5.4%	-10.1%
OIL & GAS	279.64	0.4%	-3.7%	-7.5%
INSURANCE	119.18	-0.9%	-5.4%	-5.8%
INDUSTRIALS	1,148.00	-0.7%	-7.4%	-7.3%

YIELDS ON TREASURY BILLS		YIELDS ON FGN BONDS	
	Current Yield		Current Yield
30 Days	11.11%	3 YEARS	14.79%
61 Days	11.13%	5 YEARS	14.37%
182 Days	13.46%	7 YEARS	14.60%
273 Days	14.05%	10 YEARS	14.55%
356 Days	14.39%	15 YEARS	14.51%

HARD CURRENCY			SPOT FX	
	Buy (NGN)	Sell (NGN)		NGN/USD
NGN/USD	358	360	CBN Official	306.90
NGN/GBP	470	474	CBN SMIS Window	356.46
NGN/EUR	400	403	I&E FX Window	360.64

MONEY MARKET		FORWARD FX	
	Rate (%)		NGN/USD
OBB	16.43%	30 Days	363.44
O/N	17.29%	60 Days	366.26
		90 Days	369.13
REPO		180 Days	381.33
Call	16.50%	1 year	403.59
1 month	15.13%		
3 month	15.75%		
6 month	18.00%		

EXCHANGE TRADED FUNDS			MUTUAL FUNDS	
ETF Underlying	YTD (%)		Average Returns	Yield/YTD(%)
Banking	-4.42%		Equity	-1.33%
Consumer Goods	-12.49%		Fixed Income	12.81%
Industrials	-7.07%			
NSE 30	-4.99%			
Pension 40	-8.97%			

COMMODITIES MARKET				GLOBAL STOCK MARKET	
Indicators	Price	YTD		Stock Markets	Index YTD (%)
Energy				America	
Crude Oil (Brent) US\$/bbl	72.15	34.1%		DJIA	26,543.33 13.76%
Natural Gas US\$ MMBtu	2.483	-15.5%		S&P 500	2,939.88 17.16%
Metals				NASDAQ COMPOSITE	8,146.40 22.32%
Gold US\$/t oz	1,288.40	0.6%	Europe		
Silver US\$/t oz.	15.04	-3.2%		FTSE 100	7,428.19 10.04%
Copper (US\$/lb.)	288.4	9.6%		DAX	12,315.18 16.33%
Agriculture				CAC 40	5,569.36 17.71%
Wheat (US\$/bu)	442	-12.2%	Asia		
Coffee (US\$/lb)	94	-7.5%		NIKKEI 225	22,258.73 11.21%
Cotton (US\$/lb.)	77.69	7.5%		SHCOMP	3,086.40 23.76%
Cocoa (US\$/MT)	2332	-3.6%		KOSPI	2,179.31 6.77%
Sugar (US\$/lb.)	12.65	4.5%	Africa		
				JSE FTSE	58,894.19 11.68%
				GSE COMPOSITE	2,348.59 -6.03%
				EGX 30	14,770.27 13.31%

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.