

Teakwood Digest – Monday, May 06, 2019.

Financial Planning

To our Entrepreneurs

As entrepreneurs, surviving in the Nigeria business environment can be very demanding, from making sales target to getting new clients, sourcing goods and raw materials and others. All these can be resource consuming.

As you make strides in expanding your business, it very important to note that because nothing grows on nothing, its expedient to put in place structures. This issue has been very much ignored by many business owners. They include:

- ◆ **Register with the CAC:** It is important that every business should be registered with the Corporate Affairs Commission. Registering a business entity makes it a legal entity and also helps to protect the company's name. Would also be necessary in majority of bank transactions, communications with the tax authorities and any other relevant authority.
- ◆ **Have a corporate bank account:** A corporate bank account is the official bank account of the business concern. In seeking expansion through debt capital, corporate loan can be easily appraised because the company has a verifiable information base of its revenue and expenses.
- ◆ **Record all sales and expenses:** For a business to grow strategically, there need to be appropriate recordings of all economic transactions that has occurred. Recording sales and expenses help business owners to keep track of financial position and performance of an entity
- ◆ It is necessary to divorce personal expenses from the business resources.

Global Economy

In the United States April 2019 job reports, the labour market added 263,000 new jobs driving down the unemployment rate to a 49 year low of 3.6%. Unemployment rate slides from 3.8% in March to hit the lowest level since December 1969. Average wage paid to workers rose 6 cent or 0.2% to \$27.77 an hour. Twelve month rate of hourly wage was unchanged at 3.2% while hours worked each fell 0.1 hour in April to 34.4.

U.S. Federal Reserve Chairman, Jerome Powell disclosed no indication that the Central Bank was eager to move rate either direction, disappointing investors who had hoped that the Federal Reserve would indicate it would be tilting towards a rate cut. Federal Open Market Committee left its overnight fund rate in a range of 2.25%-2.5%.

In China, Manufacturing sector grew, though less than expected. Its official Purchasing Managers Index (PMI) came in at 50.1 for the month of April. Non Manufacturing PMI fell to 54.3 from 54.8 in March where services account for more than half of China's economy.

As regards trade talks between the U.S. and China, the Chinese Vice Premier Liu He will be leading a 100 member delegation to Washington this week.

For the Eurozone, April survey of the Manufacturing PMI stood at 47.9. Greece led the way with a PMI hitting a 226 month high at 56.6 in April. France had a 2 month high of 50.0. For Europe biggest economy, Germany April PMI came in at 44.4 from 44.1 in March which was the worst manufacturing sector across the euro zone in April.

Domestic Economy

Vice President, Yemi Osibanjo visited Anambra on Friday to launch the second phase of the TraderMoni initiative was also at the construction site of the ongoing Second Niger Bridge. Osibanjo stressed that the project is priority for the Buhari led administration which is among the five project where money has actually been set aside under a presidential funding initiative to ensure its completion.

The Nigerian Senate has on Tuesday passed the 2019 Appropriation Bill of ₦8.91trillion which the senate added ₦86billion. Africa biggest wireless carrier MTN in its bid to list the Nigeria unit of the group company on the Nigeria Stock Exchange has formally asked the Securities and Exchange Commission (SEC) for a permission to proceed with listing on the Nigerian bourse. The Telecom giant also made changes to its board and has appointed the former South African deputy Finance Minister Mcebisi Jonas as Chairman and the Emir of Kano (former governor of the CBN) as a non-executive director. With the Federal Government strategic plan of improving the Oil and Gas industry, the Petroleum Ministry has granted 43 licenses to companies to build large scale and modular refineries which would be refining petroleum product across the country.

President Muhammadu Buhari has finally returned from his 10 day private visit to the United Kingdom. The Central bank of Nigeria has injected the sum of \$271.83million and CNY41.41million to the Retail Secondary Market Intervention Sales (SMIS) of the foreign market. The Chinese Renminbi would be utilized in the payment for letters of credit for agriculture and raw materials denominated in the Chinese currency.

Money Market

The Apex Bank conducted its bi-monthly treasury auction offering a 91 day, 182 day and 364 day maturity at 10%, 12.49% and 12.77% respectively.

Money market rates moderated in the week bolstered by maturities and the absence of a repetitive liquidity mop-up by the central bank. Data from the FMDQ revealed that the Open buyback and Overnight rate (OVN) rate closed the week at 5.29% and 5.93% from 16.43 and 17.29% respectively. Call rates were also down to 6.5% from 16.5%. Longer tenure rates also moderated as one month, three months and six months rate were 9%, 9.75% and 12% respectively.

Stock Market

Activities on the Nigeria Stock Exchange over the month of April has not been positive as investors continued as net sellers of stock holdings. The market lost a whopping sum of ₦713 billion in April dragging the market capitalization to less than ₦11 trillion.

The market ended the week declining -1.78%. The All Share Index (ASI) shed 528.41 points from 29,740.41 basis point at the beginning of last week to close at 29,212 basis points at the end of the week. Also in line with the bearish trajectory, Market Capitalization fell from ₦11.177trillion at the beginning of last week losing ₦198billion to close at ₦10.979trillion. Year to Date and Month to Date in the month of May stands at -7.06% and 0.18% respectively.

As investors and market analyst peruse the Q1 Earnings scorecard of companies, trading are still expected to be cautious as investors still await a clear cut policy to drive the economy to create demand.

For further enquires, you can reach us at info@teakwoodadvisory.com

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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.
Assymetric Corridor (%)	13.5 (+2/-5)	Lending rate 15.5%, Deposit rate 8.5%
External Reserves (US\$ Billion)	44.793	As at May 02, 2019. Rose from \$44.777bn in April 24, 2019
Oil price Brent (US\$/Bbl)	70.85	As at May 03, 2019.
Oil production (mbpd)	1.738	March 2019 figure. From 1.88mbpd in February, 2019

NSE SNAPSHOT

Indicator	Level	1 Day %	MTD	YTD (%)
NSEASI	29,212.00	0.14%	0.18%	-7.06%
Volume Traded (Units)	356,331,851			
Value Traded (NGN)	2.31billion			
Number of Deals	4,270			
Equity Capitalization (NGN)	10.979trillion			
Bond Capitalization (NGN)	10.814trillion			
ETF Capitalization (NGN)	6.003billion			

Trade as at May 03, 2019.

NSE INDICES

	Index	WTD	MTD	YTD (%)
NSE 30	1,313.28	-1.5%	0.1%	-7.3%
PENSION 40	1,119.27	0.5%	0.7%	-7.3%
BANKING	380.81	-1.3%	-0.2%	-4.5%
CONSUMER GOODS	671.05	-0.3%	0.1%	-10.4%
OIL & GAS	279.7	0.0%	-0.3%	-7.5%
INSURANCE	120.73	1.3%	-0.4%	-4.5%
INDUSTRIALS	1,100.74	-4.1%	2.0%	-11.1%

YIELDS ON TREASURY BILLS

	Current Yield
30 Days	9.59%
61 Days	10.30%
182 Days	13.18%
273 Days	14.13%
349 Days	14.38%

YIELDS ON FGN BONDS

	Current Yield
3 YEARS	14.69%
5 YEARS	14.45%
7 YEARS	14.58%
10 YEARS	14.48%
15 YEARS	14.66%

HARD CURRENCY

	Buy (NGN)	Sell (NGN)
NGN/USD	358	360
NGN/GBP	467	470
NGN/EUR	395	400

SPOT FX

	NGN/USD
CBN Official	306.95
CBN SMIS Window	356.46
I&E FX Window	360.64

MONEY MARKET

	Rate (%)
OBB	5.29%
O/N	5.93%
REPO	
Call	6.50%
1 month	9.00%
3 month	9.75%
6 month	12.00%

FORWARD FX

	NGN/USD
30 Days	363.41
60 Days	366.15
90 Days	368.85
180 Days	381.08
1 year	404.10

MUTUAL FUNDS

Average Returns	Yield/YTD (%)
Equity	NIL
Fixed Income	NIL

EXCHANGE TRADED FUNDS

ETF Underlying	YTD (%)
Banking	NIL
Consumer Goods	NIL
Industrials	NIL
NSE 30	NIL
Pension 40	NIL

COMMODITIES MARKET

Indicators	Price	YTD
Energy		
Crude Oil (Brent) US\$/bbl	70.85	31.7%
Natural Gas US\$ MMBtu	2.562	-12.9%
Metals		
Gold US\$/t oz	1,280.20	-0.1%
Silver US\$/t oz.	14.95	-3.8%
Copper (US\$/lb.)	282.2	7.3%
Agriculture		
Wheat (US\$/bu)	437.5	-13.1%
Coffee (US\$/lb)	90.9	-10.5%
Cotton (US\$/lb.)	75.68	4.7%
Cocoa (US\$/MT)	2365	-2.2%
Sugar (US\$/lb.)	11.98	-1.0%

GLOBAL STOCK MARKET

Stock Markets	Index	YTD (%)
America		
USA DJIA	26,504.95	13.59%
USA S&P 500	2,945.64	17.39%
USA NASDAQ COMPOSITE	8,164.00	22.58%
Europe		
UK FTSE 100	7,380.64	9.34%
Germany DAX	12,412.75	17.25%
France CAC 40	5,548.84	17.28%
Asia		
Japan NIKKEI 225	22,528.73	12.56%
China SHCOMP	3,078.34	23.43%
South Korea KOSPI	2,196.32	7.61%
Africa		
South Africa JSE FTSE	59,335.90	12.51%
West Africa GSE COMPOSITE	2,314.74	-7.39%
EGX 30	14,880.39	14.15%