

Teakwood Digest – Monday, July 22, 2019.

Financial Planning

GROWING WEALTH

In growing wealth, one must pact with his or her financial resources. The economic phase of growing wealth passes through the following:

- Accumulating financial resources.
- Channeling resources to investments.
- Managing those investments.

Accumulating financial resources accrues from an active income or from the core skill of an individual. Sources include salaries, wages, gratuity, pension, gifts and bonuses. It is important to relate your expenditure pattern with your income streams for successful wealth accumulation. If there are no retained earnings, it would be challenging to advance channeling those retained earnings to investment vehicles.

Channeling resources to investment vehicles becomes more challenging because this could lead to diving into an industry and sector you are not knowledgeable about. At this stage, it is always necessary to consult with various industry experts for guidance. Investment vehicles increases the income stream of the individual with positive return on portfolio as a result of the earnings, dividends and capital gains generated. It can also lead to passive income streams from business partnerships and real estate investments.

Managing those investments is necessary so as to appraise the performance of your investments relative to a benchmark. To achieve competitive returns, it is necessary to outsource the management of those investment to competent experts in return for a fee. It is important that these assets are well diversified thus in economic down times, investment could still stay afloat to deliver a weighted average return or suffer a reduced loss.

Global Economy

In Japan, statistical reports revealed that total exports were down by 6.7% in June, triggered by reduced exports to the rest of Asia and Europe. Also, trade balance shifted from ¥968.3bn deficit to a ¥58.9bn surplus. The Japanese core annual rate of inflation currently stands at 0.6% in June as compared to 0.8% recorded in May triggering concerns for a further monetary policy easing to boost economic activity. Amid trade negotiations between the U.S. and China, the Chinese economy plunged marginally. GDP growth in Q2 2019 were 6.2% Year on Year as compared to 6.4% growth recorded in Q1 2019. Industrial production growth was positive, growing 6.3% as compared to a 5% in May 2019.

Despite the slow down of global growth amongst developed economics, trade surplus within the Eurobloc members expanded from €15.7bn to €23bn for the month of May with inflation widening at 1.1% amid the dovish stance of its monetary policy authority. Out of the UK, as the country prepares for a new prime minister and tensions about reaching a Brexit deal, the UK wage growth were up by 3.4% in May year on year while new employment for the month of May increased by 38,000 compared to 24,500 recorded in April.

Domestic Economy

President Muhammadu Buhari has ordered the immediate implementation of the N30,000 minimum wage for the Federal Civil Servants in the country earning below the salary benchmark. This was made known by Richard Egbule, the Chairman, National Salaries, Income and Wages Commission.

The Nigeria Statistics office released data on the Nigeria debt profile as at Q1 2019. From the report, the Nigerian total public debt figure stands at N24.95trillion comprising both states and the Federal government. Of the total figure, 31.5% was external while 68.49% were domestic.

Amid the Federal government reliance on borrowings to fund the budget, the FG domestic debt stands at N13.133trn increasing 2.7% as compared to the last quarter of 2018. External debts of the FG stood at \$21.043bn. It is also on record that for Q1 2019, the FG has spent the sum of N610.2bn in debt serving of its domestic debts. The Consumer Price Index, a measure of the Nigerian inflation rate has increased by 11.22%, though increasing at a slower rate as compared to 11.40% recorded in May 2019. This was bolstered by a decrease in the composite food index by 23basis points to 13.56%. Bauchi topped the inflation rate rise, increasing to 15.4% year on year while Sokoto state has the slowest growth in inflation, decreasing 0.31%.

Money Market

In the just passed week ending July 19, 2019. the CBN conducted its usually bi-monthly primary market auction. Data released by the FMDQ on Friday revealed a squeezed liquidity in the market as rates spikes up. Open buyback and Overnight rate (OVN) rate closed the week at 11.93% and 12.64% respectively. Call rates were also up to 12.50%. The longer tenure rates also were also up as one month, three months and six months rate were 13.88%, 15.00% and 17.75% respectively.

Stock Market

Trading on the Nigerian Stock Exchange is still dominated by bearish sentiment bolstered by low confidence on the prospects of these listed companies. In the week ending July 19, 2019, the major benchmark index “NSEASI” lost 2.27% dragging the index below 28,000 index points to 27,919.50 index points with market capitalization dropping by N315bn to 13.607trillion.

As we await the Ministerial list from the President, this could give us a perspective on the likely trajectory of executive implementations that could trigger the economy to a higher growth prospects. Also in the week, United Capital Plc, Transcorp Plc released their HY financial scorecard for 2019.

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NIGERIA MACRO FUNDAMENTALS		
Indicators	Current Figures	Note
GDP Growth (%) (Q-Q)	2.01	As at Q1 2019. From 2.38% in Q4 2018
Inflation % (Y to Y)	11.22	June 2019. Fell from 11.4% in May 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)	45.094	As at July 17, 2019. Fell from \$45.114bn in July 12, 2019
Oil price Brent (US\$/Bbl)	62.47	As at July 19, 2019.
Oil production (mbpd)	1.86	June 2019 figure. From 1.75mbpd in May 2019

NSE SNAPSHOT				
Indicator	Level	1 Day %	MTD	YTD (%)
NSEASI	27,919.50	0.20%	-6.83%	-11.17%
Volume Traded (Units)	274,206,008			
Value Traded (NGN)	2.844billion			
Number of Deals	2,966			
Equity Capitalization (NGN)	13.607trillion			
Bond Capitalization (NGN)	12.234trillion			
Trade as at July 19, 2019.				

NSE INDICES				
	Index	WTD	MTD	YTD (%)
NSE 30	1,155.48	-2.8%	-8.0%	-18.5%
PENSION 40	973.21	-4.3%	-8.0%	-19.4%
BANKING	334.56	-4.3%	-8.8%	-16.1%
CONSUMER GOODS	574.32	0.0%	-7.7%	-23.3%
OIL & GAS	229.59	-5.7%	-9.3%	-24.0%
INSURANCE	115.08	-3.8%	-7.0%	-9.0%
INDUSTRIALS	1,043.90	-5.2%	-4.0%	-15.7%

YIELDS ON TREASURY BILLS	
	Current Yield
30 Days	9.00%
61 Days	9.20%
182 Days	10.84%
273 Days	11.64%
328 Days	12.33%

YIELDS ON FGN BONDS	
	Current Yield
3 YEARS	13.71%
5 YEARS	14.27%
7 YEARS	14.06%
10 YEARS	13.68%
15 YEARS	14.17%

HARD CURRENCY	
	Buy (NGN) Sell (NGN)
NGN/USD	358 360
NGN/GBP	467 461
NGN/EUR	400 405

MONEY MARKET	
	Rate (%)
OBB	11.93%
O/N	12.64%
REPO	
Call	12.50%
1 month	13.88%
3 month	15.00%
6 month	17.75%

EXCHANGE TRADED FUNDS	
ETF Underlying	YTD (%)
Banking	-12.84%
Consumer Goods	-21.44%
Industrials	-12.56%
NSE 30	-14.71%
Pension 40	-19.76%

COMMODITIES MARKET		
Indicators	Price	YTD
ENERGY		
Crude Oil (Brent) US\$/bbl	62.47	16.1%
Natural Gas US\$ MMBtu	2.251	-23.4%
METALS		
Gold US\$/t oz	1,426.70	11.3%
Silver US\$/t oz.	16.195	4.2%
Copper (US\$/lb.)	275.25	4.6%
AGRICULTURE		
Wheat (US\$/bu)	502.5	-0.1%
Coffee (US\$/lb)	107.10	5.4%
Cotton (US\$/lb.)	63.06	-12.8%
Cocoa (US\$/MT)	2473	2.2%
Sugar (US\$/lb.)	11.58	-4.3%

GLOBAL STOCK MARKET		
Stock Markets	Index	YTD (%)
America		
 DJIA	27,154.20	16.38%
 S&P 500	2,976.61	18.63%
 NASDAQ COMPOSITE	8,146.49	22.32%
Europe		
 FTSE 100	7,546.38	11.80%
 DAX	12,297.78	16.16%
 CAC 40	5,566.30	17.65%
Asia		
 NIKKEI 225	21,416.79	7.00%
 SHCOMP	2,886.97	15.76%
 KOSPI	2,093.34	2.56%
Africa		
 JSE FTSE	58,005.95	9.99%
 GSE COMPOSITE	2,353.09	-5.85%
 EGX 30	13,650.83	4.72%