

Teakwood Digest – Monday, July 29, 2019.

BUSINESS ADVISORY

KEEPING ABREAST WITH GOVERNMENT POLICY, RULES AND REGULATION (PRR)

Government PRR has always played a great role in any economy as it has way of attracting investors to a business or industry and also deterring some certain business or trade. In the international space, we have seen the influence of the government regulation through the use of tariffs to restrict some business trade coupled with the monetary policies of central banks in cooling and fast tracking the economy. All these has a far-reaching impact on business profitability and going concern.

Coming into the Nigerian domestic scene, government regulation and policies cannot be over emphasized. It plays a pivotal role. Doing business in Nigeria comes with a lot of challenges and bottlenecks. Government PRR which is majorly part of them, plays a huge risk factor and opportunities too, can be majorly divided into two namely:

- Monetary PRR** – Mainly has to do with decisions from the central bank or apex monetary regulator
- Fiscal PRR** – Other measures stimulated by the government

With the Economic Recovery Growth Plan (ERGP) of the government, companies and business owners can strategically harness opportunities to those sectors at the fore front of the government to boost the economy. Also, the central bank of Nigeria has been keen on expanding the productive base of the economy focusing on the real sector – those sectors that triggers economic growth and creates more job opportunities. Hence many industry are more attractive for business than the others.

It is necessary for business owners and organizations to keep abreast of prospective and already existing government PRR to ascertain how these affects the going concern of their industry and business specifically.

Also, discussions should be made with consultants in order to harness the full opportunities or divest if need be. Few of the PRR issues could be inform of:

- Trade restrictions
- Interest rates
- Tax incentives
- Forex restrictions
- Exchange Rate policy
- Tariffs
- Custom and excise duties

Global Economy

The U.S. Supreme Court has finally given President Trump a go ahead in executing the controversial U.S.-Mexico border wall funding. This would be funded from the U.S. military Defense department fund worth \$2.5bn. In the week, Boris Johnson, former Mayor of London and supporter of Brexit emerged winner UK prime minister race. Amid naming his cabinet in less than a day, he is said to deliver Brexit by the end of October 2019.

On the data side out of the U.S., GDP numbers for Q2 2019 were out as the U.S. economy witnessed a growth of 2.1% in the period while its GDP price index rose by 2.5%. Also, existing home sales in the U.S. fell by 1.7% in June amid the U.S. mortgage rate down to a 3-year low. Though sales of new homes were impressive, rising 7% in June. In Japan, annual rate of core inflation were constant at 0.9% in July with investors expecting a further rate cut from the Bank of Japan.

Domestic Economy

President Buhari has finally forwarded to the Nigerian senate the list of prospective ministers of his cabinet. Screening of the Forty-Three prospective ministers has begun at the Nigerian senate. The Monetary Policy Committee (MPC) after its 2-day meeting decided to leave all monetary policy metrics unchanged amid concerns of the need for price stability and the current moderation of inflation rate. In the week, the apex bank boosted the Interbank Foreign Market with \$201m. Made known by the CBN director of corporate communication, he further stated that the wholesale sector of the market received \$100m while the SME and the invisible segments would be allocated \$55million each.

Also in the week, the FAAC distributed the sum of N679.69bn from the Federation account. This would be disbursed to the three tiers of government amongst other revenue generating agencies of the Federal government and the oil producing states. The FG received the lion share of 52.68% worth N284.16bn while the States and Local government received N187.6bn and N140bn respectively. Amid concerns on the FX restriction on milk importers, the Central Bank of Nigeria has reiterated that the it has not ban the importation of milk(which it lacks the power to do so), it has only restricted the sale of Foreign exchange to those importers of milk stating concerns to improve the productive capacity of Nigeria which would lead to more jobs.

Stock Market

In the week, we could say that stock market trades were relatively flat as investors awaited President Muhammadu Buhari ministerial list and the influx of HY 2019 financial scorecard. Although the Nigeria Stock Market Index “NSEASI” shed 0.91 basis points dropping the market capitalization by approximately Nibillion. In the week, we also witnessed the government re-introduction of VAT charges on stock market transactions which was previously not charged since 2014 to trigger more transactions in the market. We also saw a shake up in the governance structure of the Telco giant, MTN Nigeria Plc as the long-standing chairman of the board and other directors steps down for new members. A handful of companies also delivered their HY financial scorecard to the Exchange in the week.

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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.
Assymmetric Corridor (%)	13.5 (+2/-5)	Lending rate 15.5%, Deposit rate 8.5%
External Reserves (US\$ Billion)	45.043	As at July 23, 2019. Fell from \$45.094bn in July 17, 2019
Oil price Brent (US\$/Bbl)	63.22	As at July 26, 2019.
Oil production (mbpd)	1.86	June 2019 figure. From 1.75mbpd in May 2019

NSE SNAPSHOT

Indicator	Level	1 Day %	MTD	YTD (%)
NSEASI	27,918.59	-0.26%	-6.84%	-11.17%
Volume Traded (Units)	130,845,494			
Value Traded (NGN)	2.64billion			
Number of Deals	2,749			
Equity Capitalization (NGN)	13.606trillion			
Bond Capitalization (NGN)	12.371trillion			

Trade as at July 26, 2019.

NSE INDICES

	Index	WTD	MTD	YTD (%)
NSE 30	1,158.47	0.3%	-7.7%	-18.3%
PENSION 40	971.49	-4.5%	-0.2%	-19.5%
BANKING	333.26	-0.4%	-9.2%	-16.5%
CONSUMER GOODS	578.37	0.7%	-7.1%	-22.8%
OIL & GAS	229.16	-0.2%	-9.5%	-24.2%
INSURANCE	114.00	-0.9%	-7.9%	-9.9%
INDUSTRIALS	1,062.60	-3.5%	1.8%	-14.2%

YIELDS ON TREASURY BILLS

	Current Yield
30 Days	9.10%
61 Days	10.50%
182 Days	11.43%
273 Days	11.86%
321 Days	12.30%

HARD CURRENCY

	Buy (NGN)	Sell (NGN)
NGN/USD	357	360
NGN/GBP	450	455
NGN/EUR	398	403

MONEY MARKET

	Rate (%)
OBB	21.86%
O/N	23.21%
REPO	
Call	24.00%
1 month	19.75%
3 month	20.88%
6 month	22.63%

EXCHANGE TRADED FUNDS

ETF Underlying	YTD (%)
Banking	-16.43%
Consumer Goods	-25.73%
Industrials	-16.02%
NSE 30	-15.56%
Pension 40	-22.67%

COMMODITIES MARKET

Indicators	Price	YTD
ENERGY		
Crude Oil (Brent) US\$/bbl	63.22	17.5%
Natural Gas US\$/MMBtu	2.177	-26.0%
METALS		
Gold US\$/t oz	1,419.30	10.8%
Silver US\$/t oz.	16.395	5.5%
Copper (US\$/lb.)	268.85	2.2%
AGRICULTURE		
Wheat (US\$/bu)	497	-1.2%
Coffee (US\$/lb)	99.75	-1.8%
Cotton (US\$/lb.)	64.54	-10.7%
Cocoa (US\$/MT)	2389	-1.2%
Sugar (US\$/lb.)	12.02	-0.7%

YIELDS ON FGN BONDS

	Current Yield
3 YEARS	13.54%
5 YEARS	12.69%
7 YEARS	13.52%
10 YEARS	13.65%
15 YEARS	14.00%

FORWARD FX

	NGN/USD
30 Days	364.5
60 Days	367.35
90 Days	370.54
180 Days	380.51
1 year	402.45

SPOT FX

	NGN/USD
CBN Official	306.90
CBN SMIS Window	357.7
I&E FX Window	361.97

MUTUAL FUNDS

Average Returns	Yield/YTD(%)
Equity	-8.65%
Fixed Income	12.33%

As at July 23, 2019

GLOBAL STOCK MARKET

Stock Markets	Index	YTD (%)
America		
USA DJIA	27,192.45	16.54%
USA S&P 500	3,025.86	20.59%
USA NASDAQ COMPOSITE	8,330.21	25.08%
Europe		
UK FTSE 100	7,549.06	11.84%
GER DAX	12,419.90	17.31%
FRA CAC 40	5,610.05	18.57%
Asia		
JPN NIKKEI 225	21,630.27	8.07%
CHN SHCOMP	2,944.54	18.07%
KOR KOSPI	2,052.26	0.55%
Africa		
ZAF JSE FTSE	57,570.54	9.17%
ZAF GSE COMPOSITE	2,335.23	-6.57%
ZAF EGX 30	13,460.00	3.25%