

Teakwood Digest – Tuesday, July 09, 2019.

Financial Planning

BUSINESS AS A GOING CONCERN

Every business should be assumed to be a going concern in the foreseeable future apart from the main objective of setting up that business. In the African context, most businesses concentrate ownership with management, the business enterprise is only assumed a going concern subject to the ability of the owners to continue the business.

To achieve this, the following steps should be promoted:

- Establish an optimal business structure:** Adopt the business structure that conforms with your business objectives and needs. The various structures such as sole ownership, partnership, incorporated trustees, equity investors and others will determine the longevity and sustainability of your business in terms of capital raising, growth and management. Explore efficient business process via account segregation, proper record keep, democratizing business operations and others.
- Business registration:** The registration of your business with the Corporate Affairs Commission (CAC) and having all the incorporation documents is paramount. This would strengthen your business position in the industry.
- Business Profile:** The role of building a clear and relatable business profile cannot be overemphasized. This will strengthen branding, marketing and directly increase revenue.
- Delegation of Tasks:** Day to day operations should be undertaken by competent staff to improve the efficiency. Good to note that empowering your personnel via training and welfare packages drive growth, efficiency and improve productivity.
- Succession Planning:** It is expedient to have a good succession plan in place so as to facilitate a smooth transition if required going forward without hampering business operations.

Global Economy

Europe largest economy, Germany via its statistics office released its manufacturing orders for the month of May 2019. Manufacturing orders plunged by 2.2% month on month. In annual terms it declined 8.6% giving pressure of a sluggish economic growth. While domestic orders increased 0.7% in May as compared to April, foreign orders were down by 4.3%.

In the U.S., job reports from the Bureau of Labour Statistics revealed that the U.S. has created 224,000 nonfarm jobs in June as compared to the below expected 75,000 jobs added in May leaving the unemployment rate almost unchanged at 3.7% from 3.8% in May 2019. This job report has we believe has watered down the expectations of a near rate cut by the end of July amid the FOMC meeting to deliberate monetary policies. The European Union has appointed Christine Lagarde as the incoming President of the European Central Bank. Christine Lagarde who currently sits as the Chief of the IMF would be replacing Mario Draghi at the expiration of his tenure by November.

Amid slow global economic growth, the Australian Central Bank has cut its benchmark cash rate by 50bp with a further intention for a more rate cut in the year.

Domestic Economy

Nigeria has finally signed the African Continental Free Trade Agreement bringing the total numbers of member states to 54 countries. President Buhari signed this agreement at the 12th extraordinary session of the African Union (AU) Heads of States and government meeting in Niamey, Niger Republic. Secretariat would be situate in Ghana. This agreement is set to create an integrated market of 1.2 billion people with worth of 2.5trillion in GDP.

The incoming Group Managing Director of the NNPC, Mallam Melo Kolo Kyari appointed by President Buhari resumed office July 08, 2019 after the statutory retirement of Dr. Maikanti Baru upon reaching his retirement age of 60.

The Apex regulator of the banking sector in a bid to close the credit gap within the real sector of the Nigerian economy has in a letter on Thursday insisted that all Deposit Money Banks should maintain a minimum loan to deposit ratio of 60% by the end of the third quarter of 2019. This should reduce the banks preference for government securities and consider a risk management framework to increase credit to SME, Retail, Mortgage and consumer lenders. The Central bank also revised the National inclusion target, giving micro finance banks a target to acquire 774 new bank accounts per branch per year measured by new BVN registration.

Money Market

In the just passed week ending July 05, 2019. the CBN conducted its OMO mop up operation two times in the week amid bills maturities. The CBN also conducted its bi monthly primary action. Data released by the FMDQ on Friday revealed a high liquidity in the banking system. Open buyback and Overnight rate (OVN) rate closed the week at 3.86% and 4.57% respectively. Call rates were down to a single digit of 2.50%. The longer tenure rates also were also down as the one month, three months and six months rate were 5.5%, 6.75% and 8.00% respectively.

Stock Market

With companies reporting their close of half year, the Nigerian Stock Market (NSE) trading sentiments are still negative. The market lost 2.32% in the first trading week of June 2019 increasing the year to date loss to 6.87%. This was not far from expected as CEO of the NSE, Mr. Oscar Onyeama stated that in the beginning of the year, the stock market would still not pick up in the first half of 2019.

In the week, International Breweries Plc and DAAR Communications released their FY 2018 financial scorecard. Going forward we expected Airtel Africa to list on the bourse though this has been postponed till after full compliance of post listing requirements. As companies would be releasing their HY 2019 results, this could change the trajectory and sentiment of investors on the Nigerian Bourse.

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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)	11.4	May 2019. Rose from 11.37% in April 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)	45.087	As at June 20, 2019. Fell from \$45.162bn in June 13, 2019
Oil price Brent (US\$/Bbl)	65.2	As at June 21, 2019.
Oil production (mbpd)	2.332	June 2019 figure. From 1.738mbpd in March 2019

NSE SNAPSHOT				
Indicator	Level	1 Day %	MTD	YTD (%)
NSEASI	29,270.95	-0.10%	-2.32%	-6.87%
Volume Traded (Units)	298,404,495			
Value Traded (NGN)	1.83billion			
Number of Deals	3,377			
Equity Capitalization (NGN)	12.901trillion			
Bond Capitalization (NGN)	12.194trillion			
ETF Capitalization	5.47billion			

Trade as at July 05, 2019.

NSE INDICES				
	Index	WTD	MTD	YTD (%)
NSE 30	1,213.90	-3.3%	-3.3%	-14.3%
PENSION 40	1,045.52	-1.2%	-1.2%	-13.4%
BANKING	346.9	-5.4%	-5.4%	-13.0%
CONSUMER GOODS	604.68	-2.8%	-2.8%	-19.3%
OIL & GAS	251.34	-0.7%	-0.7%	-16.8%
INSURANCE	122.55	-1.0%	-1.0%	-3.1%
INDUSTRIALS	1,123.49	3.3%	3.3%	-9.2%

YIELDS ON TREASURY BILLS	
	Current Yield
30 Days	9.10%
61 Days	11.46%
182 Days	12.44%
273 Days	13.13%
342 Days	13.40%

YIELDS ON FGN BONDS	
	Current Yield
3 YEARS	13.60%
5 YEARS	14.25%
7 YEARS	14.05%
10 YEARS	14.19%
15 YEARS	14.27%

HARD CURRENCY		
	Buy (NGN)	Sell (NGN)
NGN/USD	359	361
NGN/GBP	459	463
NGN/EUR	406	410

FORWARD FX	
	NGN/USD
30 Days	363.56
60 Days	366.58
90 Days	369.58
180 Days	381.03
1 year	403.68

MONEY MARKET	
	Rate (%)
OBB	3.86%
O/N	4.57%
REPO	
Call	2.50%
1 month	5.50%
3 month	6.75%
6 month	8.00%

SPOT FX	
	NGN/USD
CBN Official	306.95
CBN SMIS Window	357.53
I&E FX Window	360.82

EXCHANGE TRADED FUNDS	
ETF Underlying	YTD (%)
Banking	-12.84%
Consumer Goods	-21.44%
Industrials	-10.68%
NSE 30	-10.86%
Pension 40	-17.41%

MUTUAL FUNDS	
Average Returns	Yield/YTD(%)
Equity	5.84%
Fixed Income	12.64%

As ast July 04, 2019

COMMODITIES MARKET		
Indicators	Price	YTD
ENERGY		
Crude Oil (Brent) US\$/bbl	64.23	19.4%
Natural Gas US\$ MMBtu	2.398	-18.4%
METALS		
Gold US\$/t oz	1,401.20	9.4%
Silver US\$/t oz.	15.015	-3.4%
Copper (US\$/lb.)	266.55	1.3%
AGRICULTURE		
Wheat (US\$/bu)	516.5	2.6%
Coffee (US\$/lb)	110.50	8.8%
Cotton (US\$/lb.)	66.85	-7.5%
Cocoa (US\$/MT)	2464	1.9%
Sugar (US\$/lb.)	12.34	2.0%

GLOBAL STOCK MARKET			
Stock Markets	Index	YTD (%)	
America			
DJIA	26,922.12	15.38%	
S&P 500	2,990.41	19.18%	
NASDAQ COMPOSITE	8,161.79	22.55%	
Europe			
FTSE 100	7,553.14	11.90%	
DAX	12,568.53	18.72%	
CAC 40	5,593.72	18.23%	
Asia			
NIKKEI 225	21,746.38	8.65%	
SHCOMP	3,011.06	20.74%	
KOSPI	2,110.59	3.41%	
Africa			
JSE FTSE	57,589.82	9.20%	
GSE COMPOSITE	2,330.24	-6.77%	
EGX 30	13,997.40	7.38%	