

## Teakwood Digest – Monday, October 07, 2019.

### FINANCIAL PLANNING

#### INFLUENCE OF SOCIAL MEDIA - AVOIDING DEBTS

Millennials have been majorly affected by the trends on social media. With celebrities, athletes and other high profile individuals sharing their personal lives on Instagram, Facebook, Twitter and the rest, individuals have tend to view this life style as the benchmark for a good living. Without being told, social media has affected majorly our finances. It has influenced what we wear, what we drink and eat, the gadget we choose to use and the events we get hooked in.

Where this has become a concern is where Nigerians go beyond their means to engage in certain illegal vices just to conform to these lifestyles. With those earning a regular income, they could resort to borrowings as they are certain of a constant cash flow in the future. While aspiring to achieve your dreams to increase your earnings, it is expedient to stick to your budget and avoid being extravagant as money saved is money earned. From the perspective of an individual with a regular cash flow from a business or salary job, taking excessive loans reduces the future value of your cashflows as borrowing means spending from your unearned income especially if those borrowings are not made for the right purposes.

Most times in personal finance, at the end, it is not what was earned that counts but what was retained. This is also same in business. If borrowings should be made as an individual, it could be investing in oneself. It is necessary to start investing in assets that are income generators. Most times, this could difficult but the results afterwards are always fulfilling

What you should never borrow money for:

- It is not necessary to borrow to buy something you can definitely do without:** As the sayings goes, if you buy what you do not need, you might end up selling what you need most. Learning to always set a boundary for your priorities of wants and needs should help
- It is also not advisable to borrow to meet up to your established social standard:** Rather seek to increase your stream of income to enable you service your current lifestyle. If not feasible, it is advisable to cut down on frivolities
- Not advisable to borrow to celebrate an event** – eg a birthday, wedding, etc.: Borrowing money to organize events can entangle an individual in debt. It is never advisable.

#### Global Economy

Third world largest economy, Japan has increased its sales tax rate. This is the first time since almost five years. Sales tax was increased to 10% from its earlier 8%. This would be applicable to most goods and services except some food items. In China, non manufacturing PMI were down to 53.7 index points from 53.8 index points. This was an expansion though at a slower pace compared to the previous period. In the manufacturing sector, its PMI witnessed a contraction, though expanded from 49.5 index points to 49.8 index points.

In the United States, major market trigger for the just past week was the job data published by the Bureau of Labor Statistics. A record of 136,000 jobs (non farm) were added in September as compared to 130,000 recorded in August. This led to a slower wage growth of 2.9% from 3.2% year on year. Unemployment rate in the United States were also down to its 50 year low to 3.5% from 3.7% showing signals of a likely healthy U.S. economy. In manufacturing, factory orders for August 2019 were down marginally by 0.1% as compared to the 1.4% growth recorded in July 2019. While in Europe, job data published by the European Union Statistics agency reveals that unemployment fell to its 11 year low from 7.5% to 7.4% recorded in July. The European Central Bank has reacted by stimulating the economy through its resumed bond buying program.

#### Domestic Economy

President of Nigeria, Muhammadu Buhari would tomorrow Tuesday present the proposed 2020 appropriation bill at a Joint session of the National Assembly. On Thursday, the President of the Senate, Ahmad Lawan increased the National budget from N10 trillion to N10.729 trillion stating that the increase was the change in the benchmark bent crude price from \$55bbl to \$57bbl and also the increase in revenues from the Nigerian customs service.

Elsewhere, in a bid to improve lending to the real sector of the Nigerian economy, the Central Bank of Nigeria (CBN) has mandated all Deposit Money Banks (DMB) to maintain a minimum Loan to Deposit Ratio (LDR) of 65%. This was previously increased to 60% in July this year. In response to the 60% minimum LDR placed on bank, the apex bank has gotten hard on defaulters by withdrawing a total of N500bn from their respective accounts. As reported by Bloomberg, the banks affected were Zenith bank, Citigroup, UBA, First bank, Standard Chartered Nigeria, Guaranty Trust Bank and FCMB. With the dwindling oil prices in the international market as oil price trades below budget price, pressure mounts on the Federal Government to expand its revenue base to fund its expenditures and provide infrastructure, the Federal Government through the Minister of Works and Housing, Mr. Babatunde Fashola has stated that the FG would be re-introducing toll gates at Federal roads which was initially removed by the then president Olusegun Obasanjo administration in 2004

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#### NIGERIA MACRO FUNDAMENTALS

Indicators	Current Figures	Note
GDP Growth (%) (Q-Q)	1.94	As at Q2 2019. From 2.01% in Q1 2019
Inflation % (Y to Y)	11.02	August 2019. Fell from 11.08% in July 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)	41.743	As at October 03, 2019. Fell from \$42.107bn in September 25, 2019
Oil price Brent (US\$/Bbl)	58.37	As at September 27, 2019.
Oil production (mbpd)	1.87	August 2019 figure. From 1.786mbpd in July 2019

#### NSE SNAPSHOT

Indicator	Level	WoW %	MTD (%)	YTD (%)
NSEASI	26,987.45	-2.48%	-2.33%	-14.14%
Volume Traded (Units)	138,879,927			
Value Traded (NGN)	1.033billion			
Number of Deals	2,688			
Equity Capitalization (NGN)	13.137trillion			
Bond Capitalization (NGN)	12.760trillion			

Trade as at October 07, 2019.

#### NSE INDICES

	Index	WTD	MTD	YTD (%)
NSE 30	1,104.34	-2.8%	-3.7%	-22.1%
PENSION 40	966.86	-2.3%	-2.7%	-19.9%
BANKING	325.36	-3.9%	-5.4%	-18.4%
CONSUMER GOODS	532.77	2.6%	-6.1%	-28.9%
OIL & GAS	233.15	17.5%	-2.6%	-22.9%
INSURANCE	120.39	11.7%	3.8%	-4.8%
INDUSTRIALS	1,075.01	-2.1%	-0.8%	-13.2%

#### YIELDS ON TREASURY BILLS

	Current Yield
30 Days	12.51%
61 Days	12.75%
182 Days	12.98%
273 Days	14.40%
342 Days	14.71%

#### YIELDS ON FGN BONDS

	Current Yield
3 YEARS	14.24%
5 YEARS	14.17%
7 YEARS	14.14%
10 YEARS	14.32%
15 YEARS	14.47%

#### HARD CURRENCY

	Buy (NGN)	Sell (NGN)
NGN/USD	357	360
NGN/GBP	445	450
NGN/EUR	384	390

#### FORWARD FX

	NGN/USD
30 Days	366.27
60 Days	369.82
90 Days	373.43
180 Days	384.71
1 year	411.78

#### MONEY MARKET

	Rate (%)
OBB	2.71%
O/N	3.43%
REPO	
Call	3.00%
1 month	7.63%
3 month	8.75%
6 month	10.50%

#### SPOT FX

	NGN/USD
CBN Official	307.00
CBN SMIS Window	358.13
I&E FX Window	362.77

#### MUTUAL FUNDS

	Yield/YTD (%)
Average Returns	
Equity	-9.65%
Fixed Income	12.02%

As at October 02, 2019

#### EXCHANGE TRADED FUNDS (ETFs)

ETF Underlying	YTD (%)
Banking	-14.43%
Consumer Goods	-25.93%
Industrials	-13.06%
NSE 30	-16.43%
Pension 40	-21.94%

#### COMMODITIES MARKET

Indicators	Price	YTD
ENERGY		
Crude Oil (Brent) US\$/bbl	58.37	8.5%
Natural Gas US\$ MMBtu	2.349	-20.1%
METALS		
Gold US\$/t oz	1,510.30	17.9%
Silver US\$/t oz.	17.6	13.3%
Copper (US\$/lb.)	256.45	-2.5%
AGRICULTURE		
Wheat (US\$/bu)	490.75	-2.5%
Coffee (US\$/lb)	98.55	-3.0%
Cotton (US\$/lb.)	61.76	-14.6%
Cocoa (US\$/MT)	2,478.00	2.4%
Sugar (US\$/lb.)	12.76	5.5%

#### GLOBAL STOCK MARKET

Stock Markets	Index	YTD (%)
America		
🇺🇸 DJIA	26,573.72	13.89%
🇺🇸 S&P 500	2,952.01	17.65%
🇺🇸 NASDAQ COMPOSITE	7,982.47	19.86%
Europe		
🇬🇧 FTSE 100	7,155.38	5.99%
🇩🇪 DAX	12,012.81	13.47%
🇫🇷 CAC 40	5,488.32	16.00%
Asia		
🇯🇵 NIKKEI 225	21,410.20	6.97%
🇨🇳 SHCOMP	2,905.19	16.49%
🇰🇷 KOSPI	2,020.69	-1.00%
Africa		
🇳🇬 JSE FTSE	53,993.87	2.38%
🇳🇬 GSE COMPOSITE	2,201.40	-11.92%
🇳🇬 EGX 30	14,217.81	9.07%