

FINANCIAL PLANNING

INVESTMENT ASSET MIX

In achieving your financial goals, a basic question that should be asked is how well are your investment assets diversified? Investment asset class is a group of assets which shows similar characteristics in risks, return, growth potential, tenure and profitability. From a broader perspective, the basic investment assets include equities, fixed income, cash and cash equivalents, commodities, real estates e.t.c.

The sensitivity of risks, return and profitability of each investment asset changes subject to some fundamentals in the economy. How well these investments are diversified to the various investment asset classes influences the general return of your portfolio. It necessary to have a mix of investment assets in other to maximize your investment returns and minimize your risks. In considering investment assets aside the traditional fixed income and equities space in the Nigerian market, the following sectors can be considered:

- Agriculture:** Investment in agricultural businesses in recent times has gained prominence in Nigeria as you do not necessarily have to own a farm to get exposed to agricultural returns. There are investment opportunities in the poultry, fishery, cattle rearing etc. Investment period ranges from 6 months to one year with returns at an average of 22% per annum.
- Direct Lending:** SME businesses need capital to sustain their going concern. In direct lending, funds are structured to service the needs of viable businesses that would yield return with minimum default rate. Return in this sector ranges from 18% to 25% per annum.
- Transportation:** The need to democratize transportation business in Nigeria has created opportunities for investors to gain exposure to the transport sector. Lagos is a good example. Investment period in this sector ranges from one year and beyond with an average return of 20% per annum.
- Venture Capital/Private Equity:** Entrepreneurs needs long term equity and debt capital to scale their business ideas and become profitable. Although this comes with some embedded risks, returns on this can be exponential if successful as investors are given a stake in the business enterprise.
- Commodities and physical assets trading:** This include trading in various precious metal and other aesthetics. They are assets that have value due to their substance, scarcity and properties. These include Brent crude, gold, paintings, aesthetics and standardized agricultural products.

Global Economy

Last week, the South African Reserve Bank decided to hold all its benchmark rate constant although signaling for a monetary policy easing in the second half of next year. Repurchase rate was left unchanged at 6.5%. Also, S&P 500 Global Rating had indicated concerns for the country's rising debt profile, increasing fiscal deficit and slow growth, stating that a rating downgrade to non-investment grade could be on sight as the head of South African Treasury has forecasted a 80.9% debt to gross domestic products by 2028. The People Republic of China last weaken adjusted its monetary policies by easing the 1 year loan prime rates to 4.15% from 4.2%. On the longer curve, five year loan prime rate was cut to 4.80% from 4.85% earlier.

Out of Asia region, Japan trade balance for the month of October printed a ¥17.3bn as against a huge deficit of ¥124.8bn. Exports fell 9.2%/y in October as against a 5.2%/y decline in September. As for imports, this fell deeper by 14.8%/y as against 1.5%/y fall in September.

Domestic Economy

In the just passed week, the Nigerian Senate has approved the 7.5% Value Added Tax (VAT) hike as proposed by the Executive. The bill is titled "Nigeria Tax and Fiscal Law (Amendment) bill". The bill seeks to amend seven acts of the National Assembly which are related to tax matters in Nigeria.

The Federal Accounts Allocation Committee (FAAC) through the Accountant General of the Federation Mr. Ahmad Idris disclosed that the sum of ₦702.058bn was disbursed from the federation account. Federal, State and Local government were allocated ₦295.7bn, ₦192.697 and ₦144.9bn respectively. Oil producing states and revenue collection agencies also received ₦49.1bn and ₦19.472bn respectively. The National Bureau of Statistics (NBS) recently released the GDP Report for the third quarter in 2019. In Q3 2019, the Nigerian GDP grew by 2.28%/y in real terms as against 1.81%/y growth recorded in Q3 2018. The oil sector in real terms grew 6.49%/y while the non oil sector grew 1.85%/y. Agriculture contributed 29.25% to the Nigerian GDP figure, Industries and Services accounted for 22.17% and 48.59% respectively.

Stock Market

Trading on the Nigerian Stock Exchange in the just passed week took a bullish trajectory ending 0.52%. Also, month to date and year to date currently stands at 2.41% and -14.12% respectively. Amidst the CBN ban on non-banking institutions and individuals from participating in OMO securities, there have been renewed interest in the Nigerian equities market space as investors take positions in some relatively undervalued stocks.

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NIGERIA MACRO FUNDAMENTALS

Indicators	Current Figures	Note
GDP Growth (%) (Q-Q)	2.28	As at Q3 2019. From 2.12% (revised) in Q2 2019
Inflation % (Y to Y)	11.61	October 2019. Rose from 11.24% in September 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)	39.95	As at November 21, 2019. Fell from \$40.04bn in November 15, 2019
Oil price Brent (US\$/Bbl)	63.39	As at November 22, 2019.
Oil production (mbpd)	1.81	October 2019 figure. From 1.86mbpd in September 2019

NSE SNAPSHOT

Indicator	Level	WoW %	MTD (%)	YTD (%)
NSEASI	26,991.42	0.52%	2.41%	-14.12%
Volume Traded (Units)	207,401,139			
Value Traded (NGN)	2.84billion			
Number of Deals	3,630			
Equity Capitalization (NGN)	13.027trillion			
Bond Capitalization (NGN)	13.1028trillion			

Trade as at November 22, 2019.

NSE INDICES

	Index	WTD	MTD	YTD (%)
NSE 30	1,136.34	1.7%	6.2%	-19.8%
PENSION 40	1,019.96	1.0%	8.5%	-15.5%
BANKING	363.61	-0.9%	16.1%	-8.9%
CONSUMER GOODS	517.43	6.0%	0.2%	-30.9%
OIL & GAS	235.9	2.1%	0.9%	-21.9%
INSURANCE	120.28	0.5%	0.1%	-4.9%
INDUSTRIALS	1,079.00	-2.2%	4.2%	-12.8%

YIELDS ON TREASURY BILLS

	Current Yield
30 Days	11.90%
61 Days	12.92%
182 Days	11.86%
273 Days	12.10%
335 Days	12.20%

YIELDS ON FGN BONDS

	Current Yield
3 YEARS	12.29%
5 YEARS	12.17%
7 YEARS	12.16%
10 YEARS	12.71%
15 YEARS	12.74%

HARD CURRENCY

	Buy (NGN)	Sell (NGN)
NGN/USD	358	360
NGN/GBP	460	465
NGN/EUR	390	398

MONEY MARKET

	Rate (%)
OBB	3.71%
O/N	4.43%
REPO	
Call	4.24%
1 month	8.00%
3 month	8.25%
6 month	8.50%

EXCHANGE TRADED FUNDS (ETFs)

ETF Underlying	YTD (%)
Banking	-10.59%
Consumer Goods	-36.01%
Industrials	-11.41%
NSE 30	-18.25%
Pension 40	-21.56%

COMMODITIES MARKET

Indicators	Price	YTD
ENERGY		
Crude Oil (Brent) US\$/bbl	63.39	17.8%
Natural Gas US\$ MMBtu	2.665	-9.4%
METALS		
Gold US\$/t oz	1,463.60	14.2%
Silver US\$/t oz	17.00	9.4%
Copper (US\$/lb.)	264.8	0.6%
AGRICULTURE		
Wheat (US\$/bu)	518.75	3.1%
Coffee (US\$/lb)	115.65	13.8%
Cotton (US\$/lb.)	64.85	-10.3%
Cocoa (US\$/MT)	2,617.00	8.2%
Sugar (US\$/lb.)	12.83	6.0%

FORWARD FX

	NGN/USD
30 Days	366.17
60 Days	369.37
90 Days	372.27
180 Days	382.28
1 year	392.62

SPOT FX

	NGN/USD
CBN Official	306.95
CBN SMIS Window	358.51
I&E FX Window	362.64

MUTUAL FUNDS

Average Returns	Yield/YTD (%)
Equity	-11.50%
Fixed Income	11.40%

As at November 19, 2019

GLOBAL STOCK MARKET

Stock Markets	Index	YTD (%)
America		
USA DJIA	27,875.62	19.47%
USA S&P 500	3,110.29	23.95%
USA NASDAQ COMPOSITE	8,519.89	27.93%
Europe		
UK FTSE 100	7,326.81	8.54%
GER DAX	13,163.88	24.34%
FRA CAC 40	5,893.13	24.56%
Asia		
JPN NIKKEI 225	23,112.88	15.48%
CHN SHCOMP	2,885.29	15.69%
KOR KOSPI	2,101.96	2.98%
Africa		
ZAF JSE FTSE	56,759.62	7.63%
GSE GSE COMPOSITE	2,147.89	-14.06%
EGX EGX 30	14,050.16	7.78%