

## Weekly Nigerian Market Wrap (Friday 26/04 to Friday 03/05)

### Economic Update

#### Senate Passes 2019 Budget, raises Spending to ₦8.916 trillion

[The Nigerian Senate passed the 2019 budget](#) on Tuesday (April 30) in which the budget was raised by ₦90.3 billion to ₦8.916 trillion from the proposed ₦8.826 trillion.

Highlights of the 2019 budget as approved by the Senate include: capital expenditure ₦2.094 trillion, recurrent expenditure ₦4.055 trillion, Statutory Transfers ₦502 billion, Fiscal Deficit ₦1.908 trillion, Special Intervention ₦500 billion and Debt Service of ₦2.254 trillion. Breakdown of the Debt service includes ₦1.7 trillion earmarked for domestic debts, ₦433 billion for foreign debts as well as ₦110 billion for Sinking Fund.

The budget was built around the following macroeconomic assumptions of the economy in 2019: 2.3 million barrels daily oil production, benchmark oil price of \$60 per barrel, Exchange Rate of ₦305/\$1, GDP growth rate of 3.01% and inflation rate of 9.98%.

However, we note that the assumptions of the budget are built around conditions that do not resonate with the current state of the economy. The GDP growth rate of 3.01% in 2019 is rather overly optimistic and well above the 2.1% forecast by the IMF for Nigeria in 2019. In order to achieve this, the government will need to commit more to capital expenditure which we consider is below the required level to spur economic growth.

The approved minimum wage of ₦30,000 is expected to stretch recurrent expenditure further and the possible increase in the fiscal deficit which is likely to have ramifications for actual government spending in the months to come.

#### PenCom Expands Multi-fund Structure to 6

The National Pension Commission (PenCom), the regulator of pension companies in Nigeria has increased the [multi-fund structure from the initial four to six](#). PenCom included a Fund V and VI which represents the micro-pension fund and the noninterest-compliant instrument, respectively.

The micro-pension fund is targeted to bring in Nigerians that operate in the informal economy (self-employed people). We opine that this strategy will help improve financial literacy and create an alternative source of wealth for individuals in the informal economy which by the last survey conducted by the NBS employs the largest proportion of Nigerians.

The inclusion of both funds is expected to help boost and grow the assets of pension funds in Nigeria. Pension fund assets under management rose to ₦8.74 trillion as at the end of January 2019, while the number of retirement savings account (RSA) holders stood at 8.46 million.

#### FGN BUDGET

Assumptions	2019
GDP Growth rate	3.01%
Crude oil production (million barrels per day)	2.3
Exchange rate (N/\$)	305
Inflation rate	9.98

#### BREAKDOWN OF RSA REGISTRATIONS

Indicators	January 2019
Less than 30 years	799,169
30- 39 years	3,047,006
40- 49 years	2,375,515
50- 59 years	1,526,080
60- 65 years	481,361
Above 65 years	232,053
<b>Total</b>	<b>8,461,184</b>

#### CURRENT MACROECONOMIC INDICATORS

Indicators	
GDP growth rate Q4 2018	1.98%
Monetary Policy Rate (MPR)	13.50%
Crude Oil Price (\$ per barrel)	\$70.78
Official Exchange Rate	₦306.95
Purchasers Manager Index	57.7
External Reserves (\$' billion)	\$44.7

#### Contact Information

## Equity Update

### NSE ASI Ends the Week on a Bearish Note – Down 1.78%

The NSE ASI closed the week on a bearish note by declining by 1.78% as it dropped to 29,212 index points. Year-to-Date (YTD) analysis of the equity market shows that the market is down by 7.06%.

At the start of the week (Feb 29), the ASI dropped to 29,521.06 and representing a decline of 0.34% due to sell pressures in stocks like STANBIC, TOTAL, DANGCEM and CCNN. At the end of the week, market capitalisation closed at ₦10.9 trillion as against ₦11.1 trillion. In terms of the volume of stocks traded, at the end of the week it had risen to 356.3 million from the 244.6 million recorded at the beginning of the week. Likewise, we witnessed an increase in the value of transactions at the end of the week to ₦2.3 billion from ₦1.5 billion at the start of the week.

Analysis of the Stock performance at the close of the week showed that the top 5 gainers as at May 3rd were SEPLAT, CCNN, GUARANTY, FIDSON and NB. On the other hand, TOTAL, DANGFLOUR, MOBIL, ETERNA and ETI were among the top 5 losers.

Analysis of the performance of sectors under our coverage at the end of the week revealed that only the oil & gas index and insurance index appreciated by about 0.02% and 1.30%. The bullish performance in the oil & gas sector was largely driven by buy pressures in SEPLAT and JAPUOIL, while that of insurance was spurred by AIICO.

The performance of the NSE 30, banking, consumer goods and industrial goods were bearish at the end of the week as they declined by about 1.31%, 0.29% and 4.16%, respectively.

## Foreign Exchange

### Naira depreciates Marginally

The CBN spot rate depreciated marginally as it closed the week at ₦306.95/US\$1.00. Likewise, in the Investors and Exporters (I&E) window, the Naira also depreciated w-o-w to ₦360.65/US\$1.00 from ₦360.64/US\$1.00.

In the Secondary Market Intervention Sales (SMIS) Window, the Naira remained stable at ₦356.46/US\$1.00.

### NSE ASI HIGHLIGHTS

Indicators	26/04/19	03/05/19	%Change
NSE ASI	29,740.41	29,212.00	-1.78
MKT Cap (N' bn)	11,176.9	10,979.1	-1.77
Volume Traded (Million)	244.6	356.3	+45.67
Value Traded (N' bn)	1.5	2.3	+53.33

### NSE SECTORAL INDICES HIGHLIGHTS

Indicators	26/04/19	03/05/19	%Change
NSE 30	1,332.75	1,313.28	-1.46
BANKING	385.87	380.81	-1.31
INSURANCE	119.18	120.73	+1.30
CONSUMER GOODS	673.00	671.05	-0.29
OIL & GAS	279.64	279.70	+0.02
INDUSTRIAL GOODS	1,148.47	1,100.74	-4.16

### FOREIGN EXCHANGE MARKET

Indicators N/US\$1.00	26/04/19	03/05/19	%Change
CBN Official	306.90	306.95	+0.02
CBN SMIS Window	356.46	356.46	-
I & E FX Window	360.64	360.65	+0.003

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## Fixed Income

### Money Market – OBB Rates drop by 1,114 Basis Points (BPS)

The Open Buy Back and Overnight Rates declined by 1,114 bps and 1,136 bps, respectively as liquidity level in the banking sector improved during the week. The improved liquidity level in the system was in line with our expectations for last week concerning the maturity of several money market instruments.

### FGN Bonds – Mixed Performance

Last week, there was mixed performance in the bonds market. Average yield on the 3-year FGN bond declined by 4 basis points (bps), while the yield on the 5-year FGN bond closed the week by remaining unchanged. However, yields on the 7-year FGN bond increased by about 4 bps to close the week at 14.58% due to lower demand. Yields on the 10-year FGN bond declined by about 5 bps to close the week at 14.49%.

### T-Bills – Yields Continue to Trend Downwards

In the treasury bills market last week, yields were largely on the decline signifying increased demand for treasury bills by investors. For example, the 3 months and the 6 months yield dipped by 13 bps and 4 bps, respectively to close the week. The 12 months treasury bills marginally declined by 1 bp to close the week at 14.38%.

## Market Outlook

This week, we do not expect much to change concerning the bearish sentiment to the equity market. Last week, YTD performance of the stock market indicated that the market was down 7% as investors continue to sell-off stocks. Without any major driver to boost investor confidence, we expect the bearish momentum to continue, although it provides opportunities for value driven investors to make smart choices.

In the money market, we expect system liquidity to improve further as more instruments are set to mature, thereby increasing liquidity level. In the foreign exchange market, we expect the Naira to remain relatively stable.

### MONEY MARKET

Indicators	26/04/19	03/05/19	Basis Point Change
OBB Rate	16.43%	5.29%	-1,114
O/N Rate	17.29%	5.93%	-1,136

### FGN BOND YIELDS

Maturity	26/04/19	03/05/19	Basis Point Change
3 years	14.79	14.75	-4
5 years	14.17	14.17	-
7 years	14.54	14.58	+4
10 years	14.54	14.49	-5

### TREASURY MARKET YIELDS

Maturity	26/04/19	03/05/19	Basis Point Change
3 months	11.10	10.97	-13
6 months	13.46	13.42	-4
12 months	14.39	14.38	-1

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