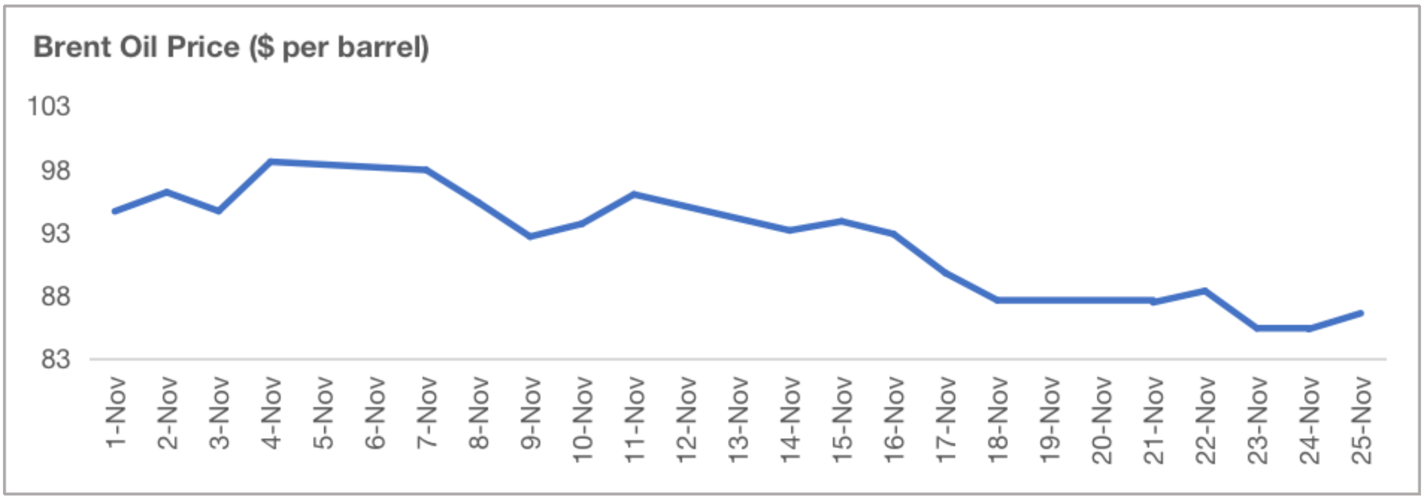
Downward Pressure Oil prices

Crude oil prices dropped nearly 4% this week as the price caps considered by G7 exceeded market expectations. To reduce Russia's oil revenue and its ability to finance the war in Ukraine, the G7 plus Australia agreed on multiple sanctions including the ban on imports of Russian oil products. However, to keep oil flowing in a tight market they created a price cap exemption which would allow the transport of Russian oil if it were sold at or lower than the price set by the G7 and its allies. The price cap considered so far is in the range of $65-$70, higher than $50-$60 that traders were anticipating. WTI crude oil and Brent oil are currently trading at $77.7 per barrel and $85 per barrel respectively.

OPEC+ Signals future output cuts and Covid-19 outbreak in China

Meanwhile, OPEC+ hinted that they may cut output even further at its December 4 meeting. This was to dismiss a rumor that they were planning a 500,000bpd output increase. At its previous meeting, OPEC+ agreed to a 2 million bpd cut till the end of 2023 to soften the decline in crude oil prices that have fallen roughly 28% since it peaked in March 2022. Interestingly, the price caps on Russian oil and other embargos commence December 5, a day after OPEC+ meets. Also putting downward pressure on oil prices was the surge in Covid-19 cases in China. More than 31,000 cases were reported this week in comparison with the peak of 28,000 cases in April when there was a surge of infections in Shanghai. This comes after the Chinese government slightly relaxed its strict zero Covid policy earlier this month.



Source: Investing.com, Sankore Research

Federal Reserve Minutes show Smaller Rate Hikes Path

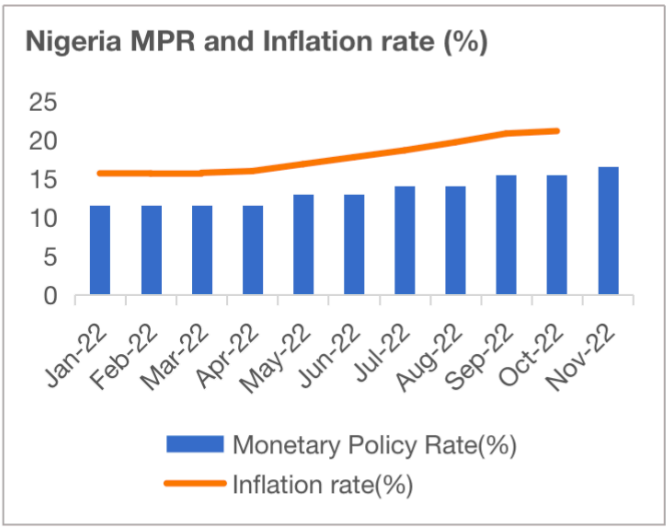
In the US, the minutes of the FOMC indicate smaller rate hikes may happen in the coming months given the fact that they have seen signs of inflation falling and considering the negative impact on the economy if they continue at an aggressive pace. US inflation rate declined to 7.7% in October compared to its previous value of 8.2% in September. Market participants are expecting a 50bps hike in December rather than the 75bps hike we have seen four consecutive times. We expect that the Federal reserve will continue to be data driven and make its decisions accordingly.

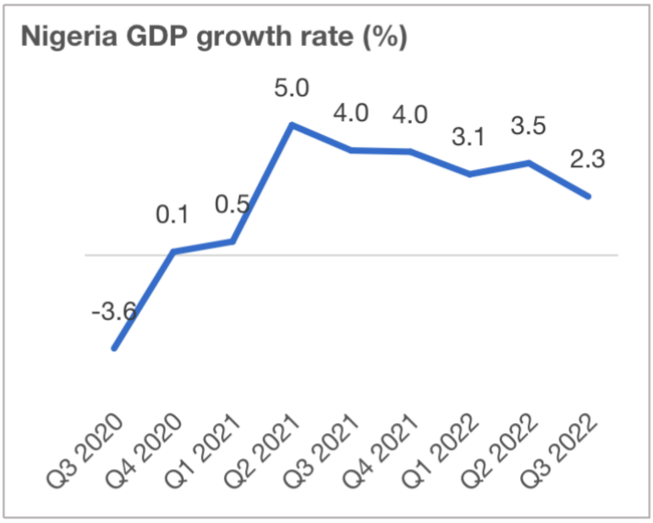
Ghana to Restructure Debt

Ghana intends to ask its Eurobond holders to take a 30% cut on principal as well as forego coupon payments for three years. It aims to revamp its fiscal situation and secure a $3 billion loan from the IMF. Domestic bonds would also be exchanged for new ones that would not pay coupons in the first year and partial payments in subsequent years. Negotiations with debt holders are expected to be prolonged. The Ghanian government has also announced it would be using gold to pay for its oil imports to control the demand for USD by crude importers and support the Cedi which has declined by more than 50% this year. In our opinion, if the proposal out of Accra is agreed to by creditors, holders of Eurobonds maturing on or before 2030 risk losses of 30 – 43% on a net present value basis. We now fully expect Ghana's sovereign credit ratings to be downgraded to a "Restricted Default" pending when negotiations are completed.

CBN'S Monetary Policy Rate (MPR) raised to 16.5%

Locally, the MPR was increased by 100bps to 16.5% to tackle persistent inflation which rose to 21.09% y/y in October from 20.77% y/y in the previous month. Nigeria's inflation has been steadily rising due to a weakness in the exchange rate currency, disruption in food supply and broad rise in cost of production.





Source: CBN, NBS, Sankore Research

We expect yields on fixed income instruments and borrowing costs on retail loans to rise in tandem with the MPR hike. The rate setting committee retained the Cash Reserve Ratio (CRR) at 32.5%, liquidity ratio at 30% and the asymmetric corridor of +100/-700 basis points around the MPR.

Nigeria's GDP grew by 2.25% in Q3 2022

Nigeria's GDP rose by 2.25% year on year in Q3 2022 down by 1.78% points when compared to the growth rate of 4.03% recorded in Q3 2021 and 1.29% points when compared to the growth rate of 3.54% recorded in Q2 2022. The oil sector declined by 22.67% year on year in Q3 2022, down by 11.94% points when compared to -10.73% growth rate recorded in Q3 2021 and 10.91% points when compared to the -11.77%

growth rate recorded in Q2 2022 as production dropped to 1.20 mbpd. The oil sector contributed 5.66% to total real GDP in Q3 2022. The non-oil sector grew by 4.27% in real terms in Q3 2022, down by 1.18% compared to the growth rate recorded in Q3 2021 (5.44%). The Non-oil sector contributed 94.34% to GDP in Q3 2022.

In conclusion, investing is much more enjoyable not only when you have the right advice but when that advice is gotten in a timely manner to avoid unnecessary losses. At Sankore Securities, we have advisors with the right strategies for enhancing your wealth. Kindly reach out to one of our advisors today.