



PROVIDING RELIABLE AND TIMELY LOGISTICS SOLUTIONS

Volume 1, Issue 12
September 30, 2016

HONT GLOBAL NEWSLETTER

THE NIGERIAN ECONOMY IN REVIEW

There were reports that the Federal Government of Nigeria (FGN) is considering the sale of 5% of its 49% stake in Nigerian Liquefied Natural Gas Ltd (NLNG) and would insist on a repurchase option that guarantees the FGN the right to buy-back the stake, if circumstances change in the future.

The Nigerian government holds 49% of NLNG shares while 51% is owned by foreign interests. Africa's richest man, Aliko Dangote, effectively started the debate by calling on the Nigerian Government to sell its stake in NLNG, and other federal assets, as a way of augmenting the current revenue shortfall brought about by the economic recession.

The CBN Governor supports this idea, saying there is a need for the "government to scale down or sell off some of its investments in oil and gas, particularly in the NNPC and NLNG". Some political figures, however, are against the sale of these assets, while the Nigerian Labor Congress has threatened a nationwide strike.

Data from the CBN show that Nigeria's gross foreign exchange reserves have continued their rapid decline, falling below US\$25bn in September for the first time since mid-2005. Oil prices remain low while crude oil output is affected by vandalism of oil and gas pipelines and installations. Portfolio inflows have declined significantly over the last year and are

unlikely to recover in the near term, given the current weak fundamentals. The Nigerian Government needs to take immediate steps to restore foreign exchange liquidity. However, experts believe the Government has limited options. Though asset sales in the short term would improve FX liquidity, a more sustainable solution needs to be employed to close the gap between FX supply and demand in the medium term.

The CBN has reiterated that the nation's Deposit Money Banks are strong despite the ongoing challenges in the foreign exchange market. CBN Governor, Godwin Emefiele, at the third quarterly meetings of the Board of Directors of the African Export-Import Bank (Afreximbank), in Lagos, on Tuesday, reaffirmed that the country's banks remained strong.

The reaffirmation may have become necessary, as the regional trade bank appeared to have several business interests in the country, with more recently, a \$150m facility granted Heritage Bank Plc. In a special presentation to the board members, Emefiele outlined the measures CBN and the government had put in place to address the problem of foreign exchange scarcity. He said that although some unpopular policies had been implemented, they were already yielding results.

Oil: The price of Brent closed the week at US\$47.55/bbl, same levels as the previous week's closing.

THE FX, MONEY AND CAPITAL MARKET REVIEW

INTERBANK MONEY MARKET

The Nigerian interbank money market, a short-term fund borrowing and lending market for banks, showed a significant boost in market liquidity.

According to the financial data published by the CBN, the market opened the week with a net positive balance of N113.24Billion while the closing figure for Thursday was a net positive balance of N6.39Billion. The closing position for the week was not available at the time of this report but considering market activities on Friday, we expect the week to close in a net negative position.

Average overnight borrowing rates opened at 10% but closed the week at 14%.

Liquidity sipped out of the market towards the end of the week due to OMO auctions. This is the financial instrument the Federal Government uses for borrowing short term money with a tenor not exceeding 364 days.

With N160 billion maturing into the system via OMO bills next week, we expect an uptick in CBN's liquidity mopping activity, and consequently higher interbank lending rates

The Nigerian Inter-bank Offered Rate (NIBOR) As At September 30, 2016

TENOR	NIBOR %
Call	14.3250
30	18.2010
90	19.1321
180	20.0384

HIGHLIGHTS FROM THE FOREIGN EXCHANGE MARKET

- With Despite the Central Bank reinforcing its commitment to supporting the LCY by selling dollars to the interbank market; the former continued weakening at the parallel segment, breaking historical low in multiple sessions (the lowest being N490 per dollar) before eventually settling at N475 per dollar.
- The NGN loss was recorded amidst heavy speculation and hoarding of the greenback. To curb supply shortage to the retail end of the market, leaders of the BDC operators met with the CBN during the week and proposed for the proceeds of international remittances to be sold directly to the BDCs via Remitta.
- At the end of the week, the NGN/USD, NGN/GBP and NGN/EUR were trading at N305.25, N417.93 and N361.17 respectively. At the parallel market, NGN/USD, NGN/GBP and NGN/ EUR closed at N475.00, N585.00 and N500.00 respectively.
- The African Development Bank is working on giving Nigeria loan facilities of \$4.1bn between now and next year for critical sectors of the economy. The loans include \$1bn at a concessionary interest rate of 1.2% for Nigeria to address the 2016 budget deficit and aid her economic recovery.
- In the coming week, We expect the LCY to maintain stability in the interbank market, while depreciating further in the parallel segment should the current episode of heightened speculation persist
- Foreign Reserves stands at \$24.74Bn as at Friday 30-September-2016.

THE NIGERIAN STOCK MARKET

A turnover of 1.287 billion shares worth N9.303 billion in 15,258 deals were traded this week by investors on the floor of the Exchange in contrast to a total of 4.331 billion shares valued at N16.803 billion that exchanged hands last week in 16,797 deals.

The Financial Services Industry (measured by volume) led the activity chart with 970.503 million shares valued at N4.540 billion traded in 8,298 deals; thus contributing 75.41% and 48.80% to the total equity turnover volume and value respectively. The Agriculture Industry followed with 109.788 million shares worth N155.716 million in 269 deals. The third place was occupied by the Consumer Goods Industry with a turnover of 82.938 million shares worth N2.774 billion in 2,884 deals.

Trading in the Top Three Equities namely – Continental Reinsurance Plc, FCMB Group Plc and Livestock Feeds Plc (measured by volume) accounted for 463.640 million shares worth N516.306 million in 770 deals, contributing 36.03% and 5.55% to the total equity turnover volume and value respectively.

Summary of the FX Market

	PARALLEL/BLACK MARKET		INTERBANK/OFFICIAL MARKET	
	Bid	Offer	Bid	Offer
30-Sep-16	470	475	305.25	305.75
29-Sep-16	472	480	305.31	305.81
28-Sep-16	450	460	312.99	313.49
27-Sep-16	445	452	312.98	313.48
26-Sep-16	438	445	308.37	308.87

Position As at end of August 2016.

Country	3 Month T-Bill	3-Year Govt Bond Yield	Headline CPI
	%	%	%
Nigeria	14.3500	15.0000	17.1300
Kenya	8.6070	12.8630	6.4000
South Africa	7.3140	8.3150	6.0000
Brazil	14.0888	12.2250	0.5200
Russia	9.3678	2.6020	7.2000
India	6.5559	6.8750	6.0700
China	2.6300	2.4800	1.8000
USA	0.3298	0.9220	0.0000
Germany	-0.8190	-0.6400	0.4000
UK	0.3200	0.1310	0.6000
Japan	-0.2500	-0.1900	-0.4000

KEY ECONOMIC INDICATORS

Foreign Reserves (US\$B)	24.74
Daily Crude Oil Production	1.4m BPD
Inflation Figure (CPI) Yr/Yr	17.60%
Monetary Policy Rate (MPR)	14.00%
Interbank USD/NGN Rate	N305.25/US\$1
Parallel Market USD/NGN	N470/N475
Unemployment Rate	13.30%
NSE - ASI	28,335.40

Position As at end of August 2016

Equity Index	Closing Price	Change % in Month	Change % Year-To-Date	P/E Ratio
Emerging Markets	705	2.53	16.40	16.13
Developed Market	395	0.42	5.78	21.83
Nigeria	27599	-1.47	-3.64	13.84
Kenya	135	-5.23	-7.39	12.02
South Africa	52733	-0.12	4.02	27.76
Brazil	57824	0.90	33.39	157.87
Russia	1970	1.29	11.82	7.40
India	28454	1.43	8.94	21.04
Hong Kong	22977	4.96	4.85	12.51
USA	2167	-0.29	6.03	20.32
Europe	344	0.50	-6.07	28.82
UK	3698	1.20	7.36	55.41
Japan	1330	0.51	-14.07	16.92

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HONT GLOBAL SERVICES

Providing Reliable and Timely Logistics Solutions.

Houston Office:

7111 Ardmore Street, Suite A, Houston Texas 77054. United States.

Phone: +1 713 748 0010, +1 713 748 0011, +1 713 842 4283 Fax: +1 713 842 4282

Lagos Office:

10 Adewunmi Abudu Street, Off Osolo Way, By Mopson Pharmaceuticals, Ajao Estate, Lagos.

Phone: 07081484249, 07039166541

UK Office:

3 Wharfside, Rosemont Road, Wembley, Middlesex. London, HA0 4PE

Phone: +44 208 9001 200

Email: info@hontglobal.com | Website: www.hontglobal.com

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