



PROVIDING RELIABLE AND TIMELY LOGISTICS SOLUTIONS

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HONT GLOBAL NEWSLETTER

THE NIGERIAN ECONOMY IN REVIEW

The Federal Government will seek to borrow \$25.46bn from multilateral & bilateral development agencies, including the World Bank & the Islamic Development, between now & 2018.

Other agencies the Federal Government will resort to for funds to complement the dwindling resources from oil & gas are the African Development Bank, the Japanese International Cooperation Agency and the China Export Import Bank. President Buhari had in a letter to the National Assembly on Tuesday sought the approval of the lawmakers for external borrowing of \$29.96bn to cover the 2016-2018 rolling plan.

Investigation by our correspondent on Wednesday showed that the Federal Government would in due time approach the multilateral and bilateral agencies for \$25.46bn. The remaining \$4.5bn will be raised from the issuance of international bonds. Representatives of 42 investors from European countries will come into the country next month to consider areas of investment in the various sectors of the Nigerian economy.

According to the federal government, the advance teams of the investors will be in Nigeria in November to meet with stakeholders in the different sectors that they wish to invest in, while full delegation will be in the country by February 2017.

The Minister of Agriculture and Rural Development, Chief Audu Ogbeh, who said this during a press briefing on Monday in

Abuja, stated that the investors would invest in power, agriculture, construction and many other sectors.

Ogbeh also stated that the Federal Government had commenced moves to woo youths into agriculture as it had located hectares of lands in various states where it would establish large farmlands for the cultivation of agricultural produce. On those coming to Nigeria, Ogbeh said, "The investors are coming from different areas of investment.

Nigeria's Federal Account and Allocation Committee (FAAC) disbursements to the three tiers of government from the Federal Allocation account dropped by N90.2bn (US\$287.4m) to N420bn (US\$1.3bn) in September (August: N510.3bn; US\$1.6bn). The Permanent Secretary in Nigeria's Ministry of Finance, Mahmoud Isa Dutse, attributed the decline, despite the appreciation in global crude prices, to the "activities of vandals in the Niger Delta" region of the country.

Most states depend on monthly allocations from the Federation Account to fund a significant part of their budgets and have been experiencing financial difficulties since FAAC allocations began to decline in mid-2014 in line with falling oil prices in international markets. Given that it is unlikely that oil prices will pick up significantly in the near-to-medium term, we are doubtful of a significant boost in FAAC allocations.

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 negative balance of N19.36Billion. The closing position for the week was not available at the time of this report but considering market activities and N200BN FAAC allocation hitting the system during the week, we expect the week to close in a net positive position

Average overnight borrowing rates opened the week at 10%, rose to 13% due to OMO auctions and dropped to close the week at 10%.

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 N123 billion maturing into the system via Treasury bills next week, and fresh primary auction of exactly same amount, we expect the market to remain slightly liquid.

The Nigerian Inter-bank Offered Rate (NIBOR) As At October 28, 2016

TENOR	NIBOR %
Call	10.6660
30	18.3284
90	19.7713
180	21.3101

HIGHLIGHTS FROM THE FOREIGN EXCHANGE MARKET

- The CBN held a Special Market Intervention Sale on Friday, selling 60-day and 90-day forwards to the companies in both the agricultural and manufacturing sectors. Also, International Oil Companies through the NNPC sold FX to importers of Premium Motor Spirit (PMS), thus supporting the naira during the week.
- At the end of the week, the NGN/USD, NGN/GBP and NGN/EUR were trading at N304.50, N386.90 and N344.83 respectively at the interbank segment. At the parallel market, NGN/USD, NGN/GBP and NGN/EUR closed at N470.00, N565.00 and N505.00 respectively.
- The Naira on Thursday depreciated further to N466 per dollar in the parallel market prompting the Central Bank of Nigeria (CBN) to meet with Bureaux De Change (BDC) operators and Travelex to evolve measures to halt the persistent slide of the currency.
- Foreign exchange liquidity challenges in Abuja and environs will be expected to ease now as Travelex and First Bank of Nigeria Limited begin the sale of foreign exchange to Bureau De Change operators in the North.
- In the coming week, we expect stability in both the interbank and parallel market as the CBN continues to seek measures to improve liquidity.
- Oil:** The price of Brent fell by 3.55%, to US\$49.99/bbl, from the previous week's closing price of US\$51.83/bbl.
- Foreign Reserves stands at \$23.94Bn as at Friday 28-October-2016.

THE NIGERIAN STOCK MARKET

A turnover of 678.710 million shares worth N6.875 billion in 11,808 deals were traded this week by investors on the floor of the Exchange in contrast to a total of 674.721 million shares valued at N7.657 billion that exchanged hands last week in 12,290 deals.

The Financial Services Industry (measured by volume) led the activity chart with 529.258 million shares valued at N2.774 billion traded in 6,290 deals; thus contributing 77.98% and 40.35% to the total equity turnover volume and value respectively. The Consumer Goods Industry followed with 58.413 million shares worth N2.704 billion in 2,223 deals. The third place was occupied by the Conglomerates Industry with a turnover of 50.376 million shares worth N95.110 million in 537 deals.

Trading in the Top Three Equities namely – FBN Holdings Plc, Access Bank Plc and FCMB Group Plc (measured by volume) accounted for 226.665 million shares worth N757.967 million in 1,879 deals, contributing 33.39% and 11.03% to the total equity turnover volume and value respectively.

Summary of the FX Market

	PARALLEL/BLACK MARKET		INTERBANK/OFFICIAL MARKET	
	Bid	Offer	Bid	Offer
28-Oct-16	460	470	304.50	305.00
27-Oct-16	460	465	305.00	305.50
26-Oct-16	460	470	306.77	307.27
25-Oct-16	448	455	305.00	305.50
24-Oct-16	448	455	305.00	305.50

Position As at end of September 2016.

Country	3 Month T-Bill	3-Year Govt Bond Yield	Headline CPI
	%	%	%
Nigeria	12.6400	14.5950	17.6000
Kenya	7.8160	12.1470	6.3000
South Africa	7.2950	7.8710	5.9000
Brazil	13.7350	11.6400	0.4400
Russia	9.6261	2.5040	6.9000
India	6.4210	6.7250	5.0500
China	2.6300	2.4150	1.3000
USA	0.2739	0.8750	0.2000
Germany	-0.7980	-0.6970	0.4000
UK	0.3170	0.1120	0.6000
Japan	-0.3980	-0.2800	-0.5000

KEY ECONOMIC INDICATORS

Foreign Reserves (US\$B)	23.94
Daily Crude Oil Production	1.5m BPD
Inflation Figure (CPI) Yr/Yr	17.90%
Monetary Policy Rate (MPR)	14.00%
Interbank USD/NGN Rate	N304.50/US\$1
Parallel Market USD/NGN	N460/N470
Unemployment Rate	13.30%
NSE - ASI	27,294.21

Position As at end of September 2016

Equity Index	Closing Price	Change % in Month	Change % Year-To-Date	P/E Ratio
Emerging Markets	715	2.07	18.02	16.62
Developed Market	395	0.31	5.88	21.82
Nigeria	28335	2.67	-1.07	14.42
Kenya	137	1.34	-6.14	11.98
South Africa	51950	-1.49	2.48	29.16
Brazil	58797	1.55	35.63	161.43
Russia	1976	0.24	12.20	7.28
India	27866	-2.06	6.69	20.73
Hong Kong	23297	1.39	6.31	12.60
USA	2170	-0.06	6.15	20.43
Europe	343	-0.13	-6.21	27.51
UK	3754	1.54	8.98	54.89
Japan	1323	-0.51	-14.51	16.72

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