

Monthly Financial Markets Update – April 2020

Global Equities Market Update

US

- Stocks ended mixed for the month of April as investors weighed some hopeful developments in the battle against the coronavirus pandemic against poor economic news and a possible restart to the U.S.-China trade war. Small- and mid-caps outperformed for the month, as the major indices rounded out their best monthly performance since 1987. The S&P Index declined by 6bps to close at 2,830.71 while the S&P Midcap 400 appreciated by 36bps. However, the NASDAQ Composite and the DJIA declined by 51bps and 29bps, respectively.

EUROPE

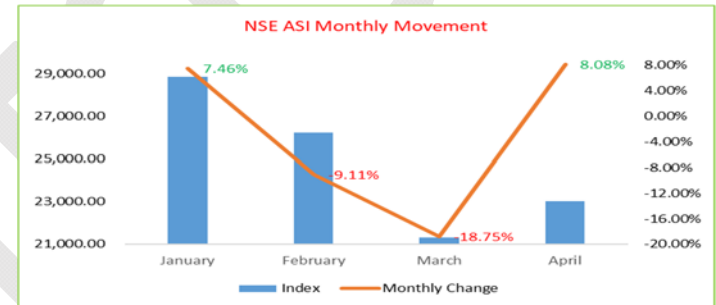
- European equities rose as investors welcomed announcements that the lifting of lockdown measures will soon start. However, the European Central Bank's decision not to inject more stimulus into the economy eroded gains. The pan-European STOXX Europe 600 Index ended the week 2.60% higher. Germany's Xetra DAX Index surged 5.08%, France's CAC 40 climbed 4.07%, and Italy's FTSE MIB Index gained 4.93%. The UK's FTSE 100 Index rose by 0.73%.

ASIAN MARKETS

- Despite a steep decline of -10.63% in March 2020, Japanese stocks moved back to the green zone in April as the Nikkei 225 Index advanced by 357 points (4.50%) to close at 19,619.35, though still down by 17.1% for the Year-to-Date period. The large-cap TOPIX Index and the small-cap TOPIX Small Index both advanced more modestly for the month. In China, the CSI 300 large-cap index rose 3.0%, beating the Shanghai Composite, which gained 1.8%. The BSE Sensex closed at 3.05% at 33,717.62 points while Hong Kong Hang Seng Index inched up +3.41% WoW to close at 24,643.59 points.

Nigeria Equities Market Update

- After two (2) consecutive monthly losses, the Nigerian equities market ended the month of April 2020 on a positive note as the primary health indicator of the Exchange – the All Share Index (ASI), appreciated by 8.08% to close at 23,021.01 points. The positive sentiment and buying interest in medium and large-cap stocks (that are trading at very low prices) and coupled with investors' positive reactions to some decent Q1:2020 results recently published are factors that contributed to the upward movement in the Index.



- Year-to-Date (YtD) loss has improved to -14.24%. Except the NSE Oil & Gas Index and Industrial Goods Index that declined by 2.84% and 2.66% respectively, all other NSE Indices closed in the green zone, Month-to-Date (MtD) with NSE Banking Index leading the gainers' chart with +15.14% and was closely followed by NSE Premium Index with +14.13%. However, YtD, the Consumer Goods sector has depreciated by 37.40% and being followed by the Banking Sector with a loss of 23.90%.

Index	31-Dec-19	30-Apr-20	YtD Change
NSE Premium	2,116.22	2,020.15	-4.54%
NSE 30	1,177.83	987.17	-16.19%
NSE Banking	356.84	271.57	-23.90%
NSE Consumer Goods	592.85	371.12	-37.40%
NSE Oil & Gas	262.54	209.13	-20.34%
NSE Lotus	1,834.76	1,628.47	-11.24%
NSE Insurance	125.82	121.88	-3.13%
NSE Industrial	1,075.60	1,012.59	-5.86%
NSE Pension	1,054.06	879.28	-16.58%

- On the price movement chart, forty-four (44) equities appreciated in price during the month, while nineteen (19) equities depreciated in price. However, thirteen (13) equities remained unchanged.

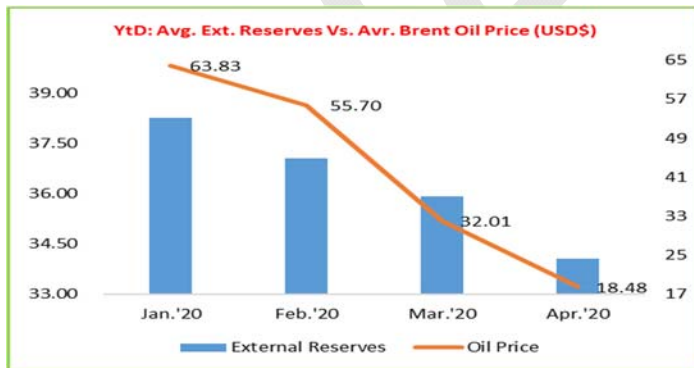
TOP 5 GAINERS				
S/N	STOCK	31-Mar-20	30-Apr-20	% CHANGE
1	DANGSUGAR	9.00	12.45	38.33%
2	CONOIL	13.15	17.40	32.32%
3	WAPCO	9.20	11.80	28.26%
4	MAYBAKER	2.14	2.70	26.17%
5	NEIMETH	0.48	0.60	25.00%

TOP 5 LOSERS				
S/N	STOCK	31-Mar-20	30-Apr-20	% CHANGE
1	GUINNESS	25.20	18.40	-26.98%
2	CILEASING	6.20	5.00	-19.35%
3	ARDOVA	13.80	11.55	-16.30%
4	CUTIX	1.40	1.21	-13.57%
5	CAP	23.20	20.90	-9.91%

Outlook: *We are of the opinion that the volatility being experienced in the market will continue. We therefore advise discerning investors to have a systematic approach to buying – as this can be an effective strategy to weathering further volatility in the market. We further advise investors to trade cautiously and invest in fundamentally sound stocks.*

Movement in the External Reserves

- Amidst continued selloffs by offshore investors, Nigeria’s external reserves for the month of April 2020 decreased to USD\$33.43 billion from USD\$35.16 billion recorded in March 2020. YtD, the external reserve has depreciated by 13.39% (USD\$5.17 billion). However, Month-to-Date (MtD), the reserve has declined by 4.94%. The erosion could be attributed to the decline experienced in the world oil price as the average international oil benchmark, Brent crude, tumbled below the \$20 per barrel mark in April as global energy demand fell flat. Over last twelve months, oil price has fallen by 74.06%. Analysts are of the opinion that the length of the COVID-19 lockdown and the subsequent economic recovery will be the primary factor behind the trajectory of oil prices.

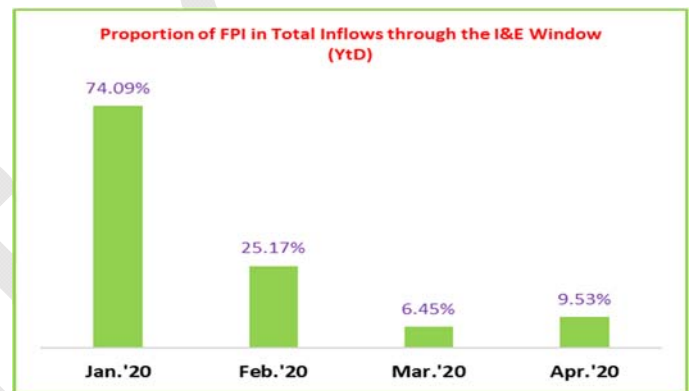


Currency Transaction at the I&E Window

- The data obtained as at April 30, 2020 from the FMDQ OTC Securities Exchange on the total capital importation through the Investors’ and Exporters’ Foreign Exchange Window (I&E window) in April 2020 stands at US\$0.29bn. The amount recorded in April is the lowest

figure recorded YtD and the lowest in Nine (9) months. A cursory look at Foreign Direct Investment (FDIs) showed that FDIs further came down in April to USD\$0.02 billion from USD\$0.04 billion in the previous month. The FDI recorded is the lowest YtD.

- Foreign Portfolio Investment (FPIs) also declined to USD\$0.03 billion in April from USD\$0.24 billion in the previous month. Proportion of the FPIs to the total inflow has been on a decline but rose slightly from 6.45% in March to 9.53% in April. The total capital importation through the I&E in 2020 totaled USD\$10.44 billion.



Exchange Rate

- Against the gradual easing of the COVID-19 lockdown in the country and across the globe, the CBN resumed the provision of foreign exchange to all commercial banks for onward sales for school fees payment and Small and Medium Enterprises.
- Consequently, the naira depreciated by 0.45% MoM to NGN387.30/USD at the I&E window and by 9.38% MoM to NGN455/USD in the parallel market. At the Forwards market, naira only depreciated in the 1-month (-0.11% to NGN390.33/USD) while the 3, 6, and 12-months appreciated by 0.31%, 1.58% and 3.53%.

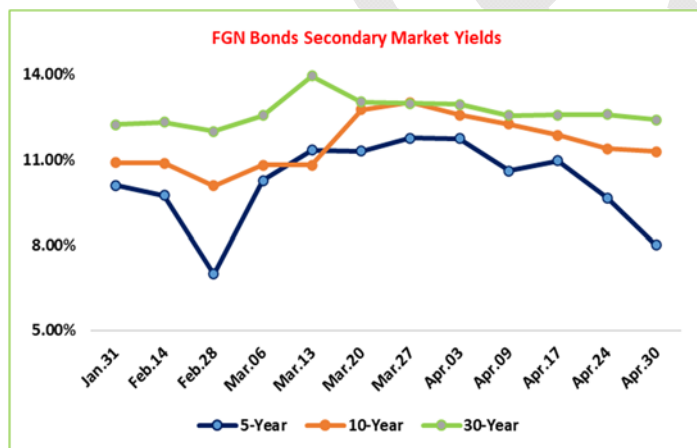
FOREIGN EXCHANGE			
Date	CBN Official Rate	I & E FX Window	
		Spot (\$/₦)	
	Spot (\$/₦)	Opening (Indicative)	Closing
30-Apr-20	361.00	385.00	387.30
29-Apr-20	361.00	386.04	386.45
28-Apr-20	361.00	384.54	386.25
27-Apr-20	361.00	386.04	386.25
24-Apr-20	361.00	384.21	383.00

Outlook: *The recent approval of USD\$3.4 billion in emergency financial assistance to Nigeria will provide a short-term support to the rapidly dwindling FX reserves. However, we are still of the opinion that the currency market will remain largely volatile especially as the CBN has announced the resumption of FX sales to SMEs and payment of school fees, in anticipation of the gradual re-opening of the economy.*

FIXED INCOME MARKET UPDATE

FGN BONDS:

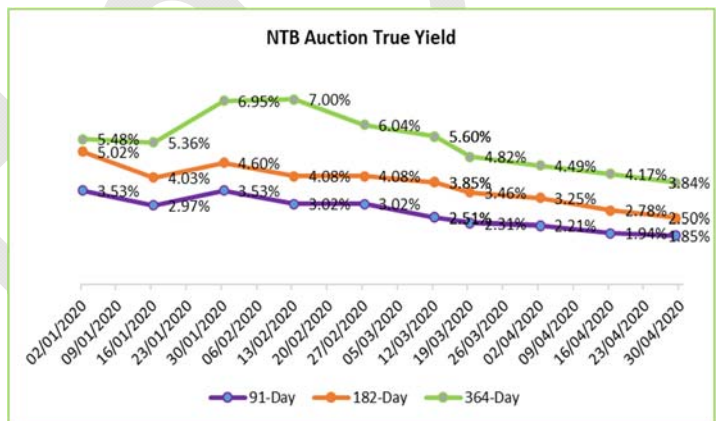
- During the month of April, the Management Office (DMO) conducted a bond auction worth ₦60.00bn, with equal split among the 3-year, 15-year and 30-year instruments. As expected, the longer dated instrument was oversubscribed at 5.93x while the mid-term and shorter dated assets recorded bid to cover ratios of 5.37x and 2.48x respectively. A total of ₦156.1bn was allotted (3 years: ₦30.07bn, 15 years: ₦72.25bn and 30 years: ₦53.74bn) while the closing rates were 9.0%, 12.0% and 12.5% for the 3-year, 15-year and 30-year instruments respectively.
- Consequently, activities in the bond market were bullish this month following huge buying interests by investors hunting for attractive yields. Average yields contracted by 172bps to 10.19%. Buying interest was witnessed across all segments of the curve, with the MAR-2025 bond the most sought after as it fell by 375bps to 8.01%. This was followed by JAN-2026 bond which declined by 307bps to 9.17%.



Outlook: *We expect the domestic market to retain its bullish streak as investors continue to hunt for attractive yields.*

TREASURY BILLS:

- Activities in both NTB and OMO Segments of the secondary market were bullish during the month of April as average yield at long end of the curve contracted by 104bps and 538bps to 2.70% and 9.70% respectively. At the NTB Segment of the market, increased buying activities were noticed across the curve but majorly at the long end. At the OMO Segments, increased buying activities centered around the SEPT-20 maturities as average yield fell by 680bps to 8.60%. At this week's NTB PMA, the CBN fully allotted NGN131.53 billion worth of bills – NGN5.85 billion of the 91-day, NGN3.50 billion of the 182-day and NGN49.14 billion of the 364-day at respective stop rates of 1.85% (previously 1.93%), 2.50% (previously 2.74%), and 3.84% (previously 4.00%).



Outlook: *We expect the bullish trend to continue in the Treasury bills market, supported by relatively healthy liquidity. During the month of May, we expect the CBN to roll over NGN602 billion worth of maturities.*

MONEY MARKET:

- The OVN and OBB rates closed the month of April at 2.75% and 2.25% respectively compared to 9.83% and 8.50% respectively on March 31, 2020. The O/N and OBB averaged 5.74% and 5.15% respectively in the month, as inflows from CRR refunds, OMO maturities, FGN bond coupon payments and funding from CBN's Standing Lending Facility to banks, improved system liquidity.

Tenor	30-Apr-20	31-Mar-20
O/N	2.75	9.83
OBB	2.25	8.50

Outlook: *In the coming month, we expect rates to inch higher as the CBN resumes its weekly Wholesale intervention as well as bi-weekly Retail intervention increase funding pressures for banks.*

CORPORATE BONDS:

- Currently, there is a Corporate Bond offer with United Capital Plc as the Issuer. Please find below indicative terms of the offer:

Issuer	United Capital PLC	
Programme Size	NGN 30 billion	
Issuer Rating	Bbb+ (Agusto); A- (Datapro)	
	Series 1	Series 2
Description	Series 1 Fixed Rate Senior Unsecured Bonds	Series 2 Fixed Rate Senior Unsecured Bonds
Issue Size	Up to NGN 10 billion	Up to NGN 10 billion
Issue Rating	Bbb+ (Agusto); A- (Datapro)	Bbb+ (Agusto); A- (Datapro)
Tenor	5-Years	7-Years
Weighted Average Life	3.01-Years	4.26-Years
Benchmark	3-year Treasury Bond (FGN 27-April-2023)	5-year Treasury Bond (FGN 23-March-2025)
Price Guidance	[12.00% - 12.50%]	[12.50% - 13.00%]
Par Value	NGN 1,000 per unit	NGN 1,000 per unit
Issue Price	100% of Par Value	100% of Par Value
Offer Open	Monday, 04 May 2020	
Offer Close	Friday, 15 May 2020	
Funding / Settlement Date	Tuesday, 19 May 2020	
Day Count Fraction	Actual / Actual	
Offer Mode	Offer for Subscription via Book Build	
Coupon Basis	Fixed Rate, semi-annual	
Units of Sale	Minimum of NGN 10,000,000 (10,000 units at NGN 1,000/unit) and multiples of NGN 1,000,000 thereafter	
Redemption / Payment Basis	Amortizing	
Listing	FMDQ Securities Exchange	
Use of Proceeds	United Capital intends to utilise proceeds from the issuance to make anchor investments/underwrite investment grade fixed income instruments issued by entities advised by the Issuer. Investments will be within the Issuer's credit risk management framework and selectively supported by sovereign guarantees.	

- The table below shows the Yield and Price of some Corporate Bonds listed on the FMDQ Exchange as at April 30, 2020

Issuer	Maturity	Coupon (%)	Price (N)	Yield (%)		Change (bps)
				March 31 2020	April 30 2020	
FLOUR MILLS	30-Oct-21	15.50	112.96	7.96	6.31	-1.65
FORTE OIL PLC	02-Dec-21	17.50	110.37	6.72	5.32	-1.40
MIXTA	16-Jan-22	17.00	111.89	6.83	5.33	-1.50
LAPO MFB SPV PLC	19-Dec-22	17.75	114.00	13.43	11.43	-2.00
STERLING INV. MGT. PLC	03-Aug-23	16.50	119.10	11.75	9.53	-2.22
FCMB LIMITED	08-Dec-23	17.25	121.86	12.34	9.88	-2.46
STANBIC IBTC	30-Sep-24	13.25	114.15	12.47	9.27	-3.20
CERPAC RECEIVABLES	15-Jan-25	18.25	110.37	11.93	10.45	-1.48
WEMA FUNDING SPV PLC	12-Oct-25	16.50	114.40	13.08	12.75	-0.33
ACCESS BANK PLC	23-Jul-26	15.50	114.64	17.67	11.77	-5.90
VIATHAN FUNDING PLC	14-Dec-27	16.00	124.34	12.62	9.20	-3.42
GEL UTILITY FUNDING SPV PLC	28-Aug-34	15.15	89.10	13.65	12.87	-0.78

PENSION INDUSTRY NEWS

VG PENSIONS FUND PERFORMANCE:

- The impact of COVID-19 and the low yield environment are being felt by Pension Funds Administrators (PFAs), not only in Nigeria but the world over. According to the Financial Times Adviser (FT), average pension funds fell by 15% in Q1:2020, representing the worst quarterly performance on record. Also, in the US, the stock market sell-off vaporized about \$1 trillion of value from public pension portfolios.
- Pension Funds Managers are struggling to navigate through Nigeria's compressed investment terrain amidst inflationary pressures. Despite the challenging environment, VG Pensions has remained a leader in the industry in investment returns. A report published by Quantitative Financial Analytics *showed that VG Pensions recorded the highest return in both RSA Fund (4.24%) and Retiree Fund (5.38%) for the period January to April 2020. Industry average for the period was 1.64% for RSA Funds and 2.96% for Retiree Fund.*

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