



October Surprise

&

6 ?'s for you

“|bèèrè”

Questions

(1) How come most of your predictions come true?

(2) How will a Biden's Presidency change the world?



(3) Is this economic recovery for real or is it a mirage?

Questions



(4) Aviation- Many airports, few airlines, when will they return to Nigeria?



(5) Edo and Ondo states- will the incumbent win again?

(6) Will this stock market sizzle fizzle?



What We Said Last

Forecast vs Outcome

What We Said	What Happened
✓ Inflation will rise to 12.95%	✓ Headline inflation spiked to 13.22% in August
✓ MPC to maintain status quo on all parameters	✓ MPC cut MPR by 100bps to 11.5% pa adjusted asymmetric corridor to +100/-700 and left the CRR and LDR unchanged
✓ Resumed forex sales to strengthen the naira to N420/\$ - N430/\$	✓ Naira appreciated to N420/\$ before declining to close at N465/\$
✓ Stock market to trade flat before dipping on poor results	✓ Stock market gained in 15 and lost in 6 days in September. NSE ASI index gained 5.94%
✓ Godwin Obaseki will win the Edo state elections	✓ Obaseki has been declared governor of Edo state

SCORE: 3/5

Consumer Under Pressure



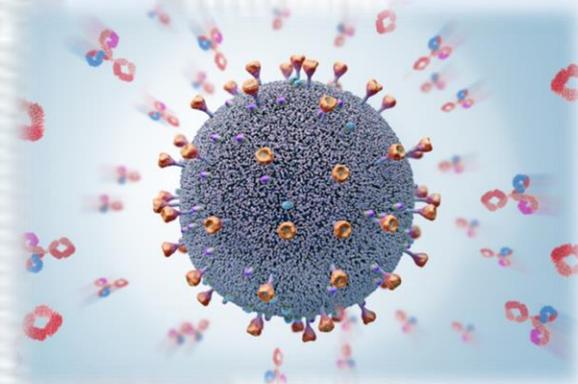
Inflation



*Electricity
Tariff*



Border Closure



*COVID
2nd Wave?*



Forex Shortages, Naira

Depreciation



Petrol Pricing



What Happened in the Last Four Weeks?

September Highlights

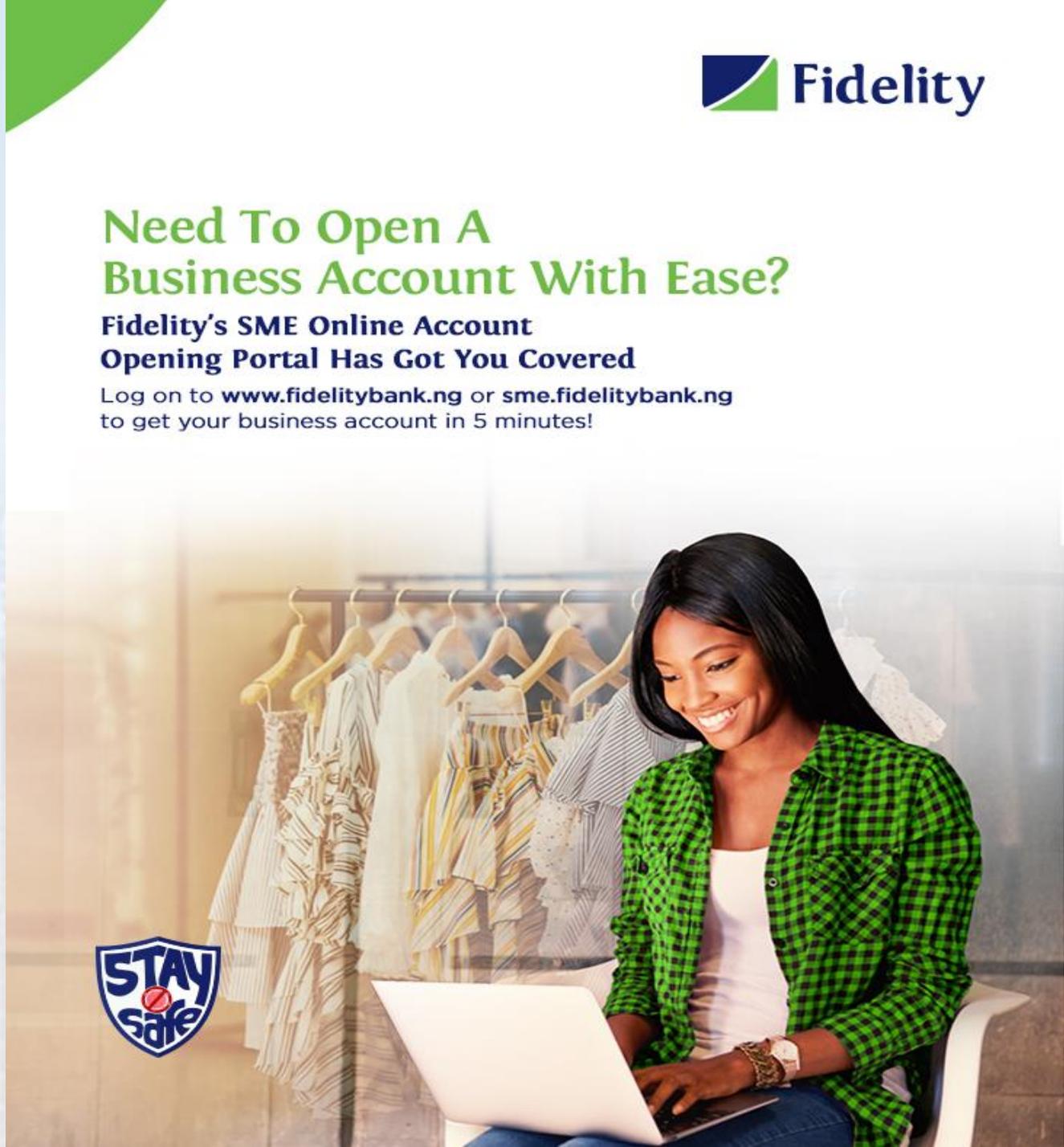
- ✓ Average oil price fell 7% in September to \$41.89pb from \$45.02pb in August
- ✓ Oil production was flat at 1.482mbpd
- ✓ LNG price declined by an average of 26.68% (\$7.75/mmbtu)
- ✓ Average power output fell to 3,872MW
- ✓ FBN PMI rose by 4.78% to 54.8 points driven by
 - ✓ Output: 57
 - ✓ Employment: 52
 - ✓ New order: 59
 - ✓ Delivery time (logistics): 51
 - ✓ Inventory: 55



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September Highlights

- ✓ 4 sub-indices increased and 1 unchanged
- ✓ FAAC shared in September inched up 0.84% to N682bn
- ✓ Headline inflation jumped to 13.22%
- ✓ Core and food inflation up to 10.52% and 16.0% respectively
- ✓ Average interbank interest rates (OBB, O/N) fell sharply to 3.66%pa
- ✓ Opening balance of banking system was N400.70bn
- ✓ Cash in circulation declined by 1.25% to N2.37trn (August)
- ✓ M2 wider money up by 3.3% to N34.22trn

September Highlights

- ✓ Q3 growth estimates are for -3.5% to -5%
- ✓ Total pension assets cross the N13trn level or 37.99% of M2
- ✓ Stock market rallies 5.9% in response to lower interest rates in decade
- ✓ Speculative investors, FPI flows trapped and high dividend yields drawing stocks to giddy heights
- ✓ President Buhari approves N10bn for National Census



Policies

- ✓ FGN submits 2021 budget to NASS – N13.08trn (\$34.42bn)
- ✓ Fiscal deficit of N4.48trn or 3.6% of GDP
- ✓ A new PIGB sent to NASS
 - ✓ The first PIB was sent in 2008
- ✓ NNPC seeking to divest majority stake in the refineries
- ✓ Host communities to get additional funding from IOCs (2.5%) apart from NNDC outlay
- ✓ CBN to consider prohibiting forex for finished goods and fertilizer

Policies

- ✓ Fertilizer price slashed by N500 to N5,000 per bag
- ✓ Electricity tariff increase suspended for two weeks
- ✓ MPC slashes benchmark interest rate to 11.5% pa
- ✓ Forex rationing continues as CBN prepares to clear backlog
- ✓ Gross external reserves remained above \$35.6bn, courtesy of rationing





How Will The World Change in a Biden
Presidency?

Biden Presidency

- ✓ Tax reform – will increase taxes for the wealthiest Americans
- ✓ Will gradually shift back to free trade from current protectionist leanings
- ✓ Will not undermine the US Fed – with tweets & calls for rate cuts
- ✓ US will rejoin the Paris Climate Agreement
- ✓ US-China rapprochement
- ✓ Return to multilateralism in relationship with Africa
- ✓ Iran nuclear deal will be revisited
- ✓ Brexit – Likely to align with the EU over the UK
- ✓ Tech war with China to continue



Global Financial Stability

- ✓ Fed recently released hypothetical scenarios for the second round of the 2020 stress test for US banks
- ✓ Aimed at testing big banks resilience amid COVID-19 pandemic
- ✓ Test results will be disaggregated to help investors and the public better understand the ability of the banks to lend through the downturn
- ✓ Fed has also prohibited banks from issuing dividends or stock buybacks amid the pandemic

Risk of Continued Quantitative Easing

**Rising
inflation**

**Imbalances &
distortion in
the financial
system**

**Debt
accumulation**

**Currency
weakness**

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Global Developments

- ✓ Market uncertainties rise as Donald Trump tests positive for COVID-19
- ✓ Global economic recovery likely to drag
 - ✓ As COVID infections spike and policy makers pull back fiscal support
- ✓ Over 34.52mn confirmed cases with 1.03mn fatalities
- ✓ Governments forced to re-impose lockdowns as winter approaches
- ✓ US temporary job cuts could turn into permanent cuts
- ✓ Walt Disney Co. and Royal Dutch Shell Plc to lay off over 35,000 workers

IMF to Revise 2020 Global GDP Growth Forecast

- ✓ IMF to revise upwards its 2020 global GDP growth forecast next week from its earlier forecast of -4.9% in June
- ✓ Estimates better than expected Q2'20 and Q3'20 performance while warning that the economic recovery path could be long and bumpy
- ✓ The G7 have also beckoned the G20 to extend a freeze in debt payments from the world's poorest nations struggling with COVID-19



Sub-Saharan Africa

South Africa's Real GDP to Contract by 8.0%

- ✓ South Africa's real GDP growth projected to contract by 8% in 2020
- ✓ Current account balance swung to a deficit in Q2 (2.4% of GDP) from a surplus (1.2% of GDP) in Q1 '20
- ✓ Kenya's economy is expected to expand by 4.6% in 2020 despite the COVID crisis
- ✓ Tanzania's current-account deficit narrowed by 45.9% to \$530mn in H1 '2020
 - ✓ As the economic crisis led to a surge in global demand for gold



Is the Economic Recovery For Real or Stalling?

Leading Economic Indicators - Output



LEI	Aug' 20	Sept' 20	% Change	Comments	Oct' 20*
GDP Growth (%)	-6.10 (Q2'20)	-3.50* (Q3'20)	-2.60	GDP contraction to slow on increased economic activities	-2.2 (Q4'20)
Inflation (%)	13.22	14.0*	0.78	Food and core inflation to maintain upward trend	14.5-15.0
Oil Production (mbpd)	1.48 (July)	1.48 (Aug)	-	Oil production expected to drop further in compliance with OPEC quota	1.4
Oil Price (\$pb; avg)	45.02	41.86	-7.02	Global demand recovery remains bleak	41-42
FBN PMI (end)	52.3	54.8	4.78	PMI reading expected to continue in positive territory throughout Q4'20	55-56

Source: CBN, NBS, EIU, OPEC, FBNQuest *: FDC's forecast

Leading Economic Indicators - Markets



LEI	Aug' 20	Sept' 20	% Change	Comments	Oct' 20*
Primary T-Bills (%): 91-days	1.15	1.09	-0.06	Low interest rates coupled with rising inflation will lead to wider negative rates of return	1.0-1.05
Average Opening Position (N'bn)	326.96	400.70	22.55	CBN strictly monitoring naira liquidity using CRR debits and FX sales	400.00-450.00
External Reserves (\$bn; month-end)	35.66	35.74	0.22	External reserves to decline as CBN keeps naira stable	35.50-35.60
Exchange Rate (N/\$; month-end): Parallel	465	465	-	Resumption of international trade to mount pressure on the naira	480 – 485
Stock Market Cap (N'trn)	13.21	14.02	6.13	Investors are shifting towards low priced stocks	13.5 -13.8

Source: CBN, NBS, NSE, FMDQ, EIU, *: FDC's forecast



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Of the 10 Indicators



July

1 Positive

1 Flat

8 Negative

August

3 Positive

-

7 Negative

September

6 Positive

2 Flat

2 Negative

LEIs Trend Analysis

- ✓ Macroeconomic uncertainties persist
 - ✓ Negative growth
 - ✓ Rising inflation
 - ✓ High unemployment & poverty levels
 - ✓ Currency volatility

Q3' GDP Growth Contraction to Slow

✓ Growth in Q3'20 expected to remain negative

✓ Rate of contraction could slow on increased economic activities

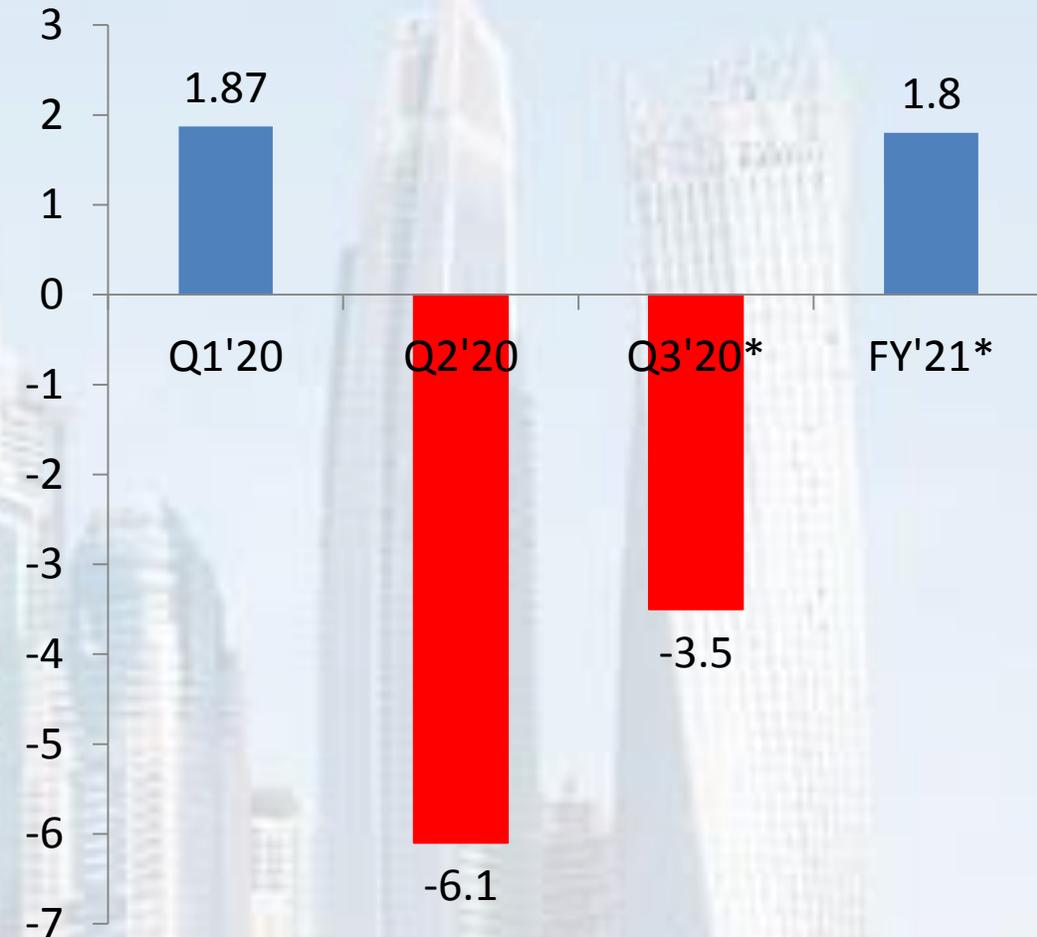
✓ Q3'20 GDP estimate: -3.5%

✓ FY'20 GDP estimate: -3.3%

✓ Slow and gradual recovery expected ahead of 2021 (1.8%)



Real GDP Growth (%)

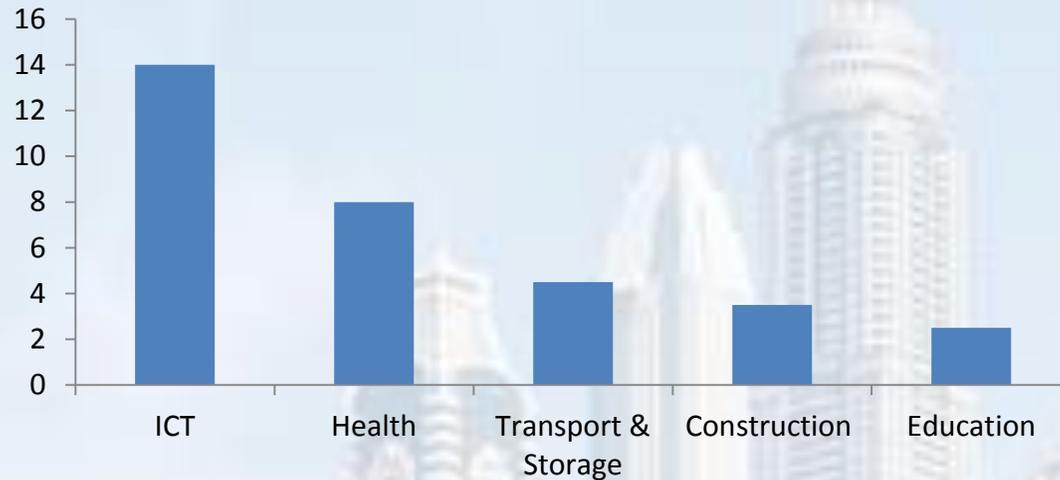


Source: EIU, NBS, FDC Think Tank

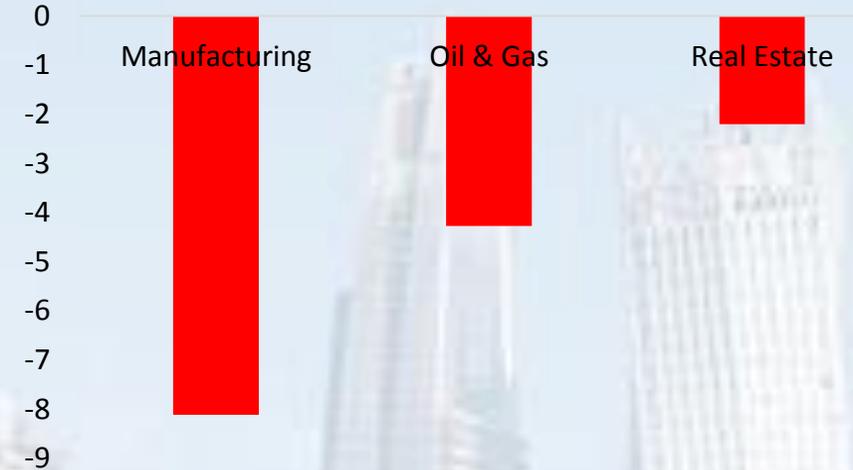
Sectors- Winners & Losers



Winners (%)



The Losers (%)



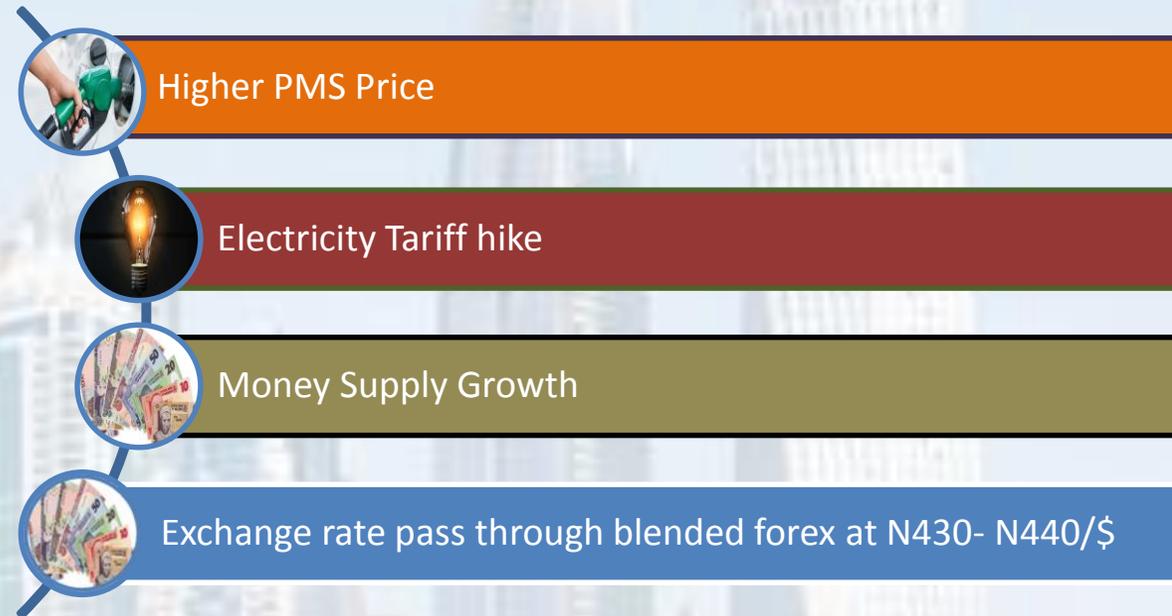
- ✓ ICT sector will continue its reign in Q3'20
- ✓ Aviation and education growth to pick up on resumption of activities
 - ✓ International and domestic flight resumption
 - ✓ Reopening of schools
- ✓ Agric sector growth likely to slow on flooding and insecurity in major food producing states

Inflationary Pressures to Persist

- ✓ Headline inflation to maintain upward trajectory
 - ✓ September estimate – 14%
 - ✓ October forecast– 15%
- ✓ Food sub-index will remain the major culprit
- ✓ Inflation in 2020 could rise beyond CBN's 14.15% projection
- ✓ Consumer disposable income to remain suppressed



Stoking Factors in September

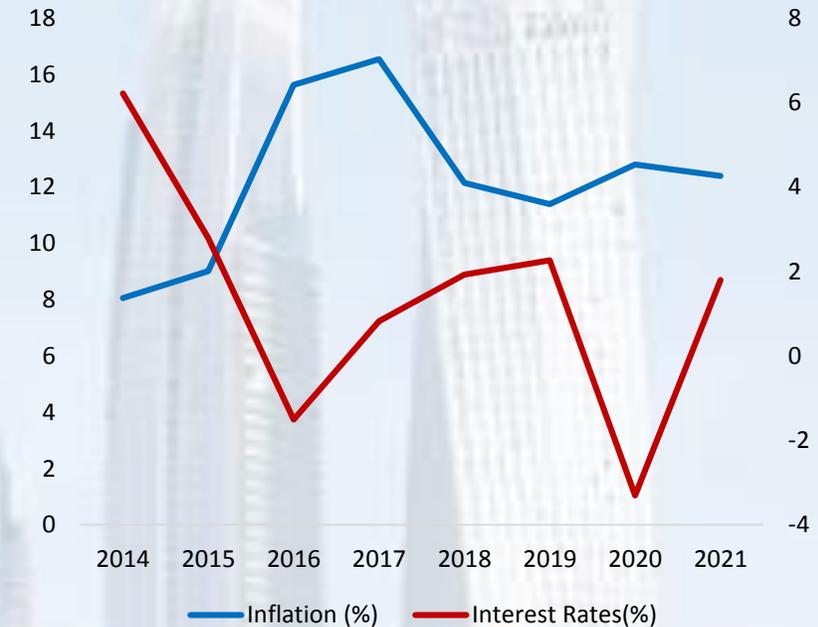


Low Interest Rates- Point of Inflection will be December

- ✓ After Q3 GDP growth shows slight improvement
- ✓ And inflation spikes to 15%
- ✓ Investors will continue taking refuge in the equities market
- ✓ Low interest rates will remain positive for stock prices
- ✓ Negative for real returns on investment- wider inflation- interest rate differential (12.7%)



Inflation vs Interest Rates



Forex Market in October/November

✓ Multiple rates in the forex market

Official	=	N380/\$
I&E window	=	N386/\$
Retail BDC	=	N385/\$
IATA rate	=	N386/\$
Cash parallel market	=	N460/\$
Transfer parallel market	=	N475/\$
Non Deliverable Forwards (90-days)	=	N396.55/\$

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Forex Market in October/November

Exchange rate drivers

- ✓ Backlog
 - ✓ Official estimates = \$2bn
 - ✓ Unofficial estimates = \$5bn
- ✓ CBN will clear backlog in 16 weeks
 - ✓ \$125mn per week
- ✓ Oil revenues of \$8bn per quarter
 - ✓ Inflow of \$670mn per week
- ✓ Funding trade transactions and other imports
 - ✓ \$840mn per week

Forex Market in October/November

Inflows

Weekly oil sale (inflow) = \$670mn

Weekly outflows = $\frac{\$965\text{mn}}{(\$295\text{mn})}$

World bank power sector = \$750mn } **\$2.25 bn**
World bank support = \$1.5bn }

External reserves draw down = \$2 – 3bn

Inflation in September = $\frac{14\%}{}$

Inflation in US = 1.3%

Differential **12.70%**

Forex Market in October/November

- ✓ T/bill rates in Nigeria = 1.5% pa
- ✓ T/bill rates in US = 0.5% pa
- ✓ PPP value shows a slight overvaluation of 4.39% (N402/\$)
- ✓ NDF (October 6, 2020)



	NDF
90	N396.55/\$
180	N412.29/\$
360	N451.42/\$

Purchasing Power Parity			
	Sep-20		
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	100	2.65	37.74
Beer (60cl)	260	2.91	89.35
Hamburger (Johnny Rock)	3,800	4.59	827.89
Indomie	2,400	3.65	657.53
Toyota Corolla	25,000,000	21,980	1137.40
Bottled Water (150cl)	120	1.31	91.60
Big Loaf Bread	500	2.39	209.21
Irish Spring Soap (1 cake)	300	0.86	348.84
Chicken Drumsticks (1 ki	1,500	4.15	361.45
Eggs (Big Size)	1,200	4.47	268.46
Average PPP			402.94
Naira Price at IEFX			386.00
PPP (%)			
Decision: Naira is		overvalued	4.39%
Spot Rate (Parallel)			465
Outcome: Compared to IFEX rate of N386/\$1, the Naira is overvalued by 4.39%			

M2 Could Edge Higher to N35 Trillion

Money Supply Vs Inflation Rate



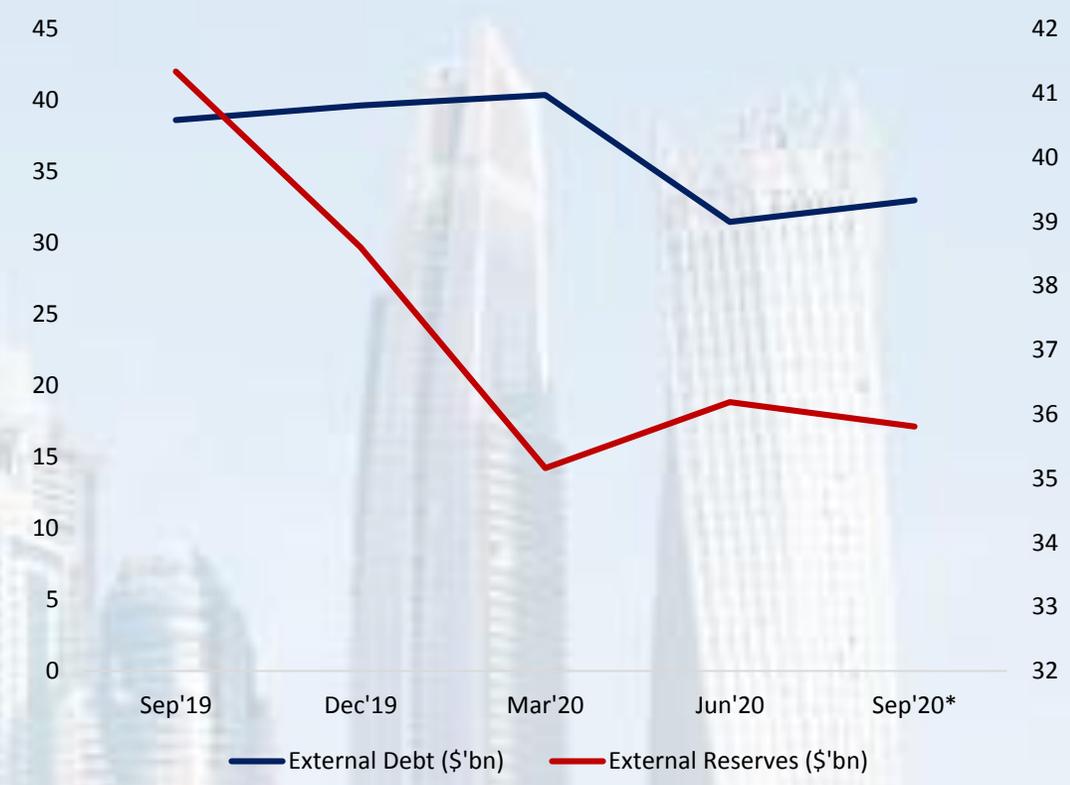
- ✓ Increased liquidity does not mean increased income
- ✓ M2 growth will continue to rise on further reopening of the economy
- ✓ Exacerbating inflationary pressures and tapering interest rates

External Reserves ↓ vs External Debt ↑

- ✓ External reserves are expected to decline while debt remains high
- ✓ Due to lower government revenues compared to debt accumulation
- ✓ External reserves depletion will limit CBN's ability to support the currency
- ✓ Keeping the economy vulnerable to external shocks
- ✓ Debt imperialism almost inevitable in 2021



External Reserves vs External Debt



Oil Prices Volatility Inevitable in October

- ✓ Price swings likely to pervade the oil markets on stuttering global energy demand
- ✓ Prospects for recovery remain weak
- ✓ Brent could trade between \$41-42pb in coming months
- ✓ Surprise cuts from OPEC and its allies to prop up prices



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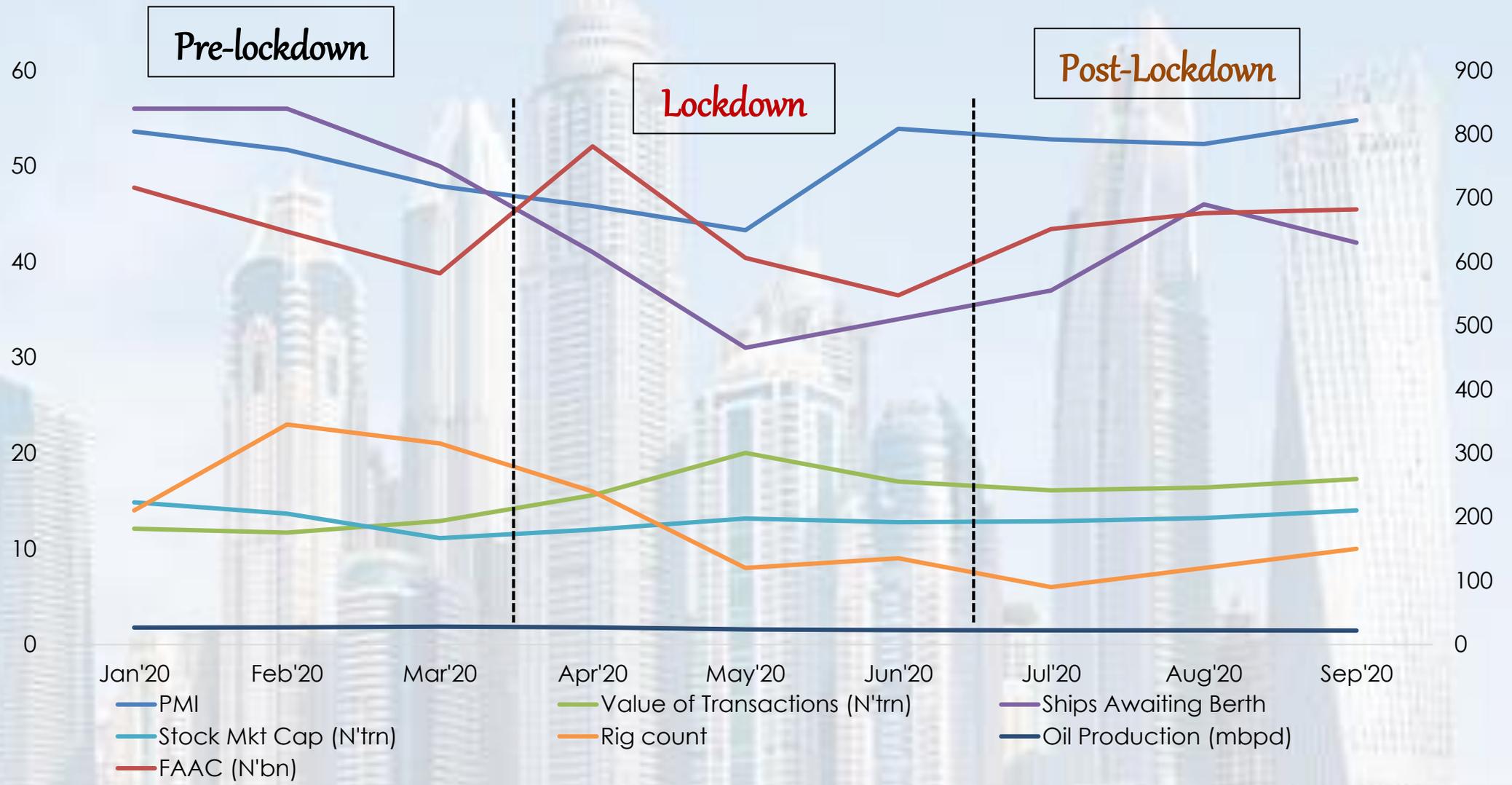


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The Pan African Bank



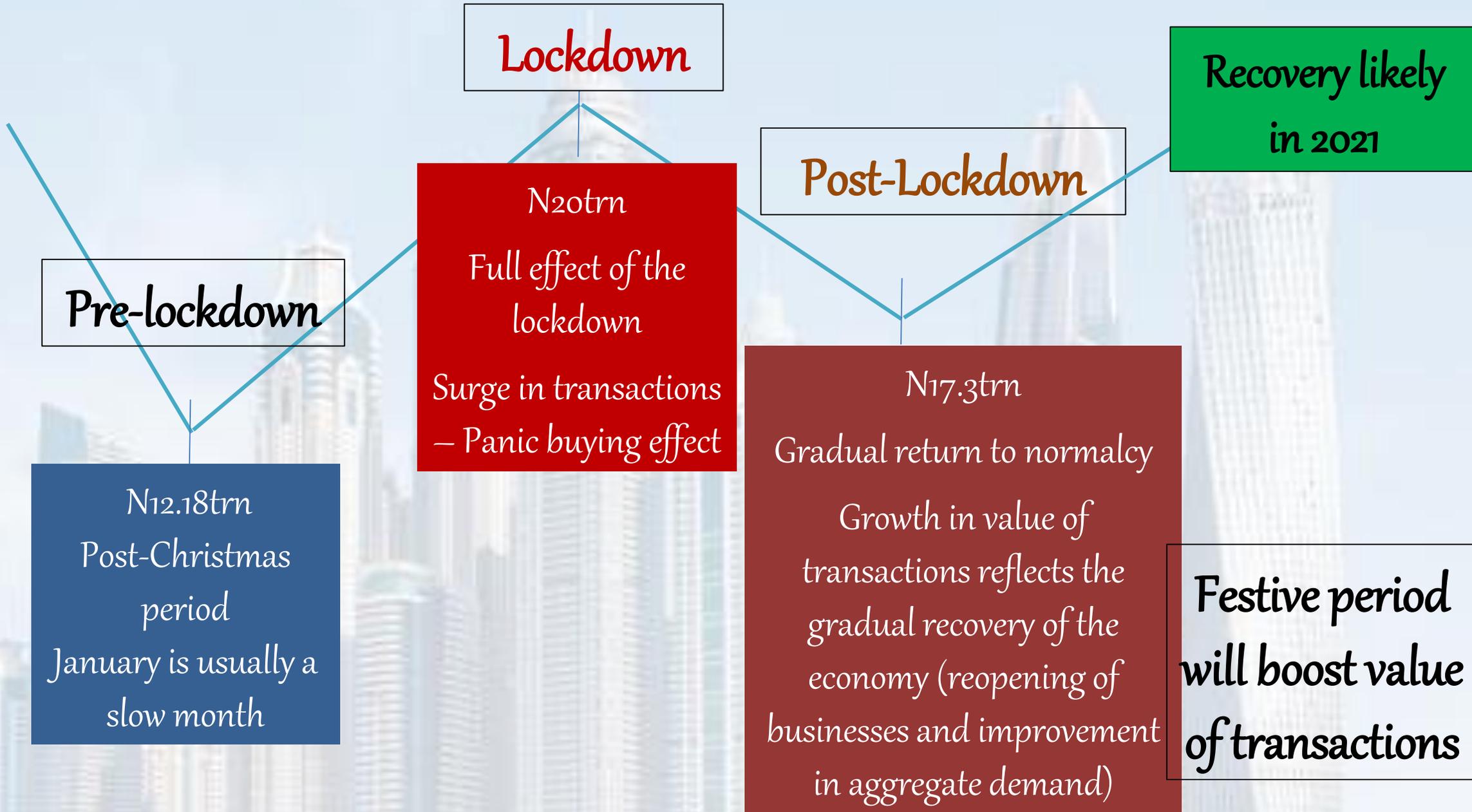
Market Proxies

Is the Slow Recovery Sustainable or Reversible??



Source: OPEC, FBNQuest, NSE, NBS, NIBBS, NPA, OPEC, FDC Think Tank

Trend in Value of Transactions

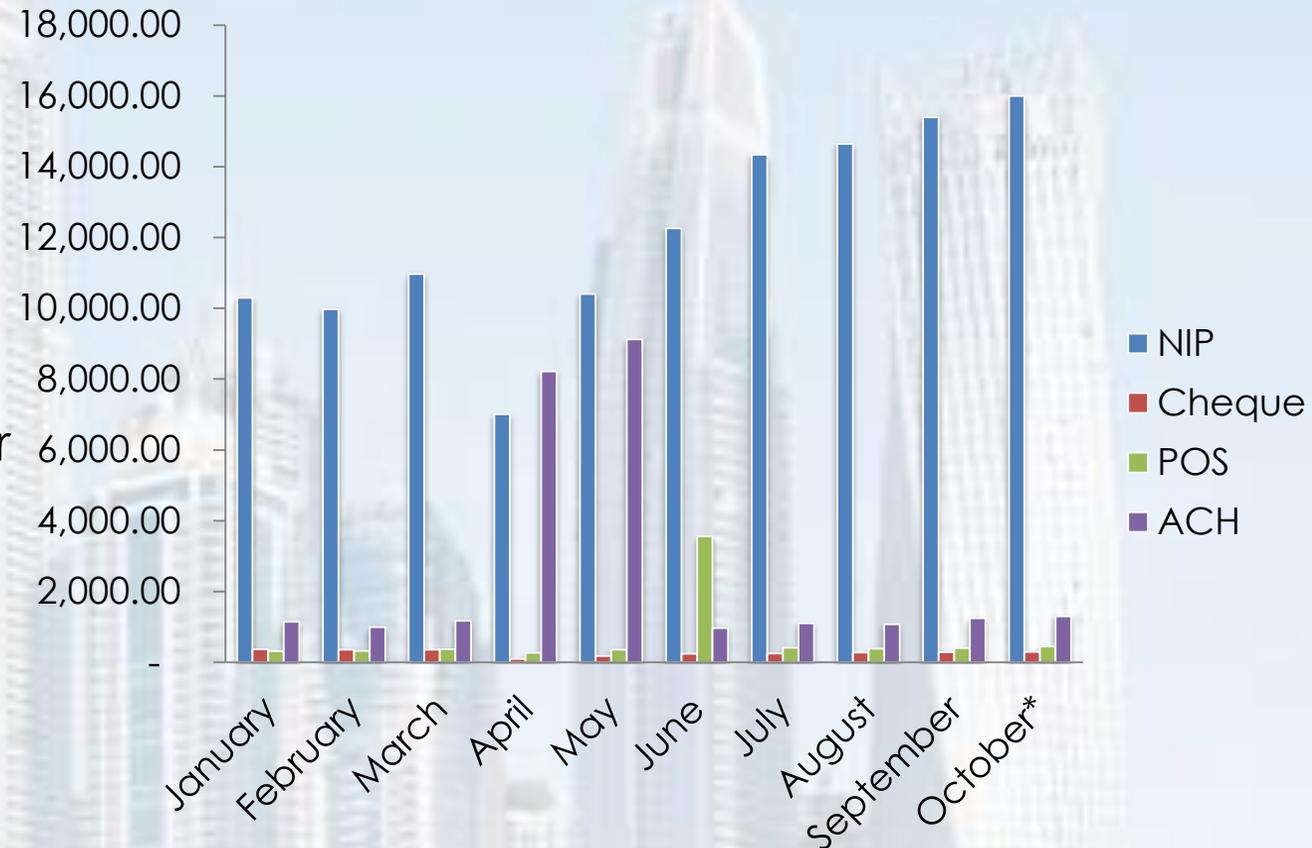


Value of Transactions Rising Towards N18 trn



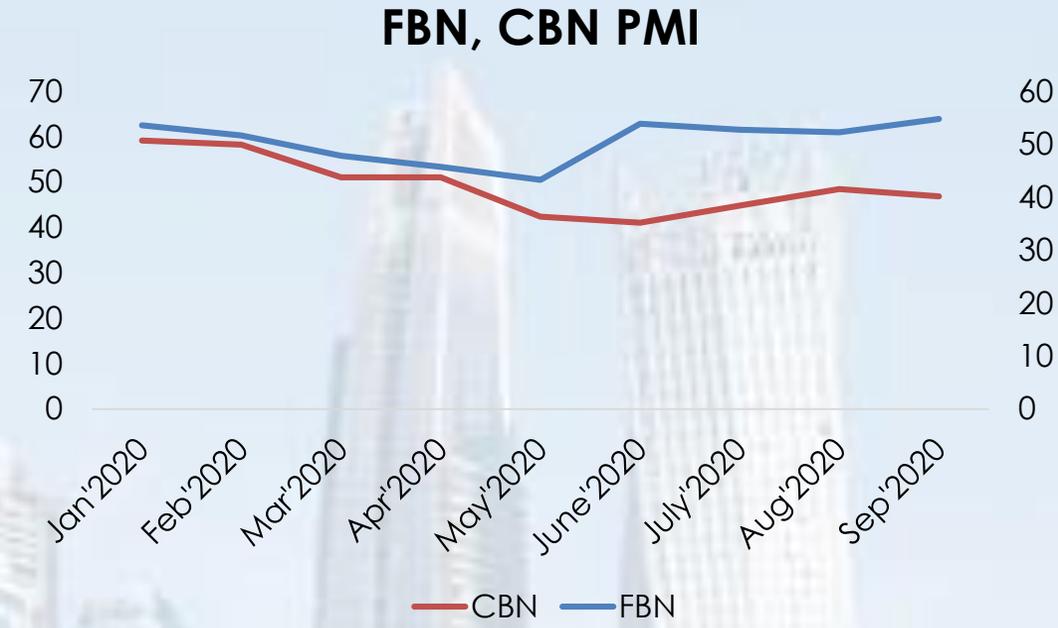
- ✓ Total value of e-payment channels (checks, POS, ACH & NIP) in September was N17.3trn
- ✓ 5.49% higher than the total value in August (N16.4trn)
- ✓ Could increase to N18trn in the near term
- ✓ NIP has surpassed pre-pandemic levels, while checks still struggling to recover
- ✓ Owing to convenience and slow foot traffic in banks

Value of E-payment Channels (N'bn)



PMI - FBN ↑, CBN ↓

- ✓ Divergence exists between FBN and CBN PMI reading
- ✓ FBN ↑ 4.78% to 54.8 points
- ✓ CBN ↓ 3.3% to 46.9 points
- ✓ FBN up on gradual increase in consumer demand
- ✓ CBN down despite gradual reopening of the economy



FBN PMI Sub-indices	August	September
Output	55.5	57
Employment	50	52
New orders	57.5	59
Supplier delivery time	47.5	51
Stock of purchases	55	55

FBN PMI to Edge Higher in October

✓ FBN PMI could increase to 55 points in October on a steady improvement in consumer demand

✓ As the economy reopens further sub-indices estimate

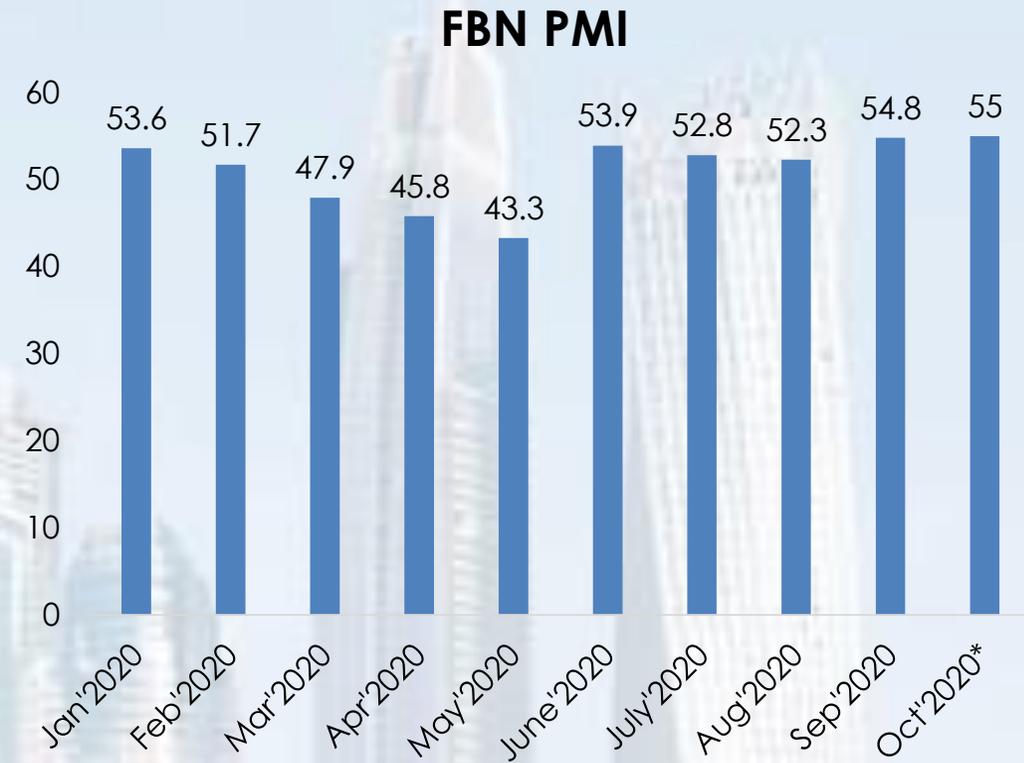
✓ New orders: 65 points

✓ Output: 59 points

✓ Employment: 54 points

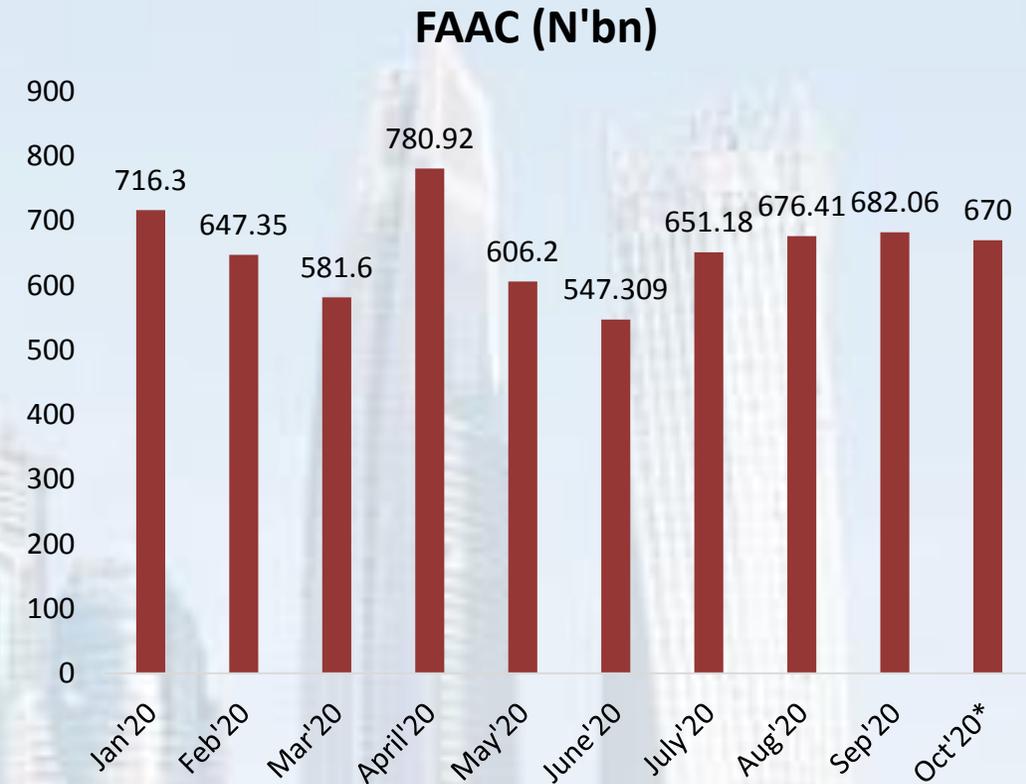
✓ Supplier delivery time: 53 points

✓ Stocks of purchases: 56 points



FAAC Disbursements to Fall on Lower Oil Output

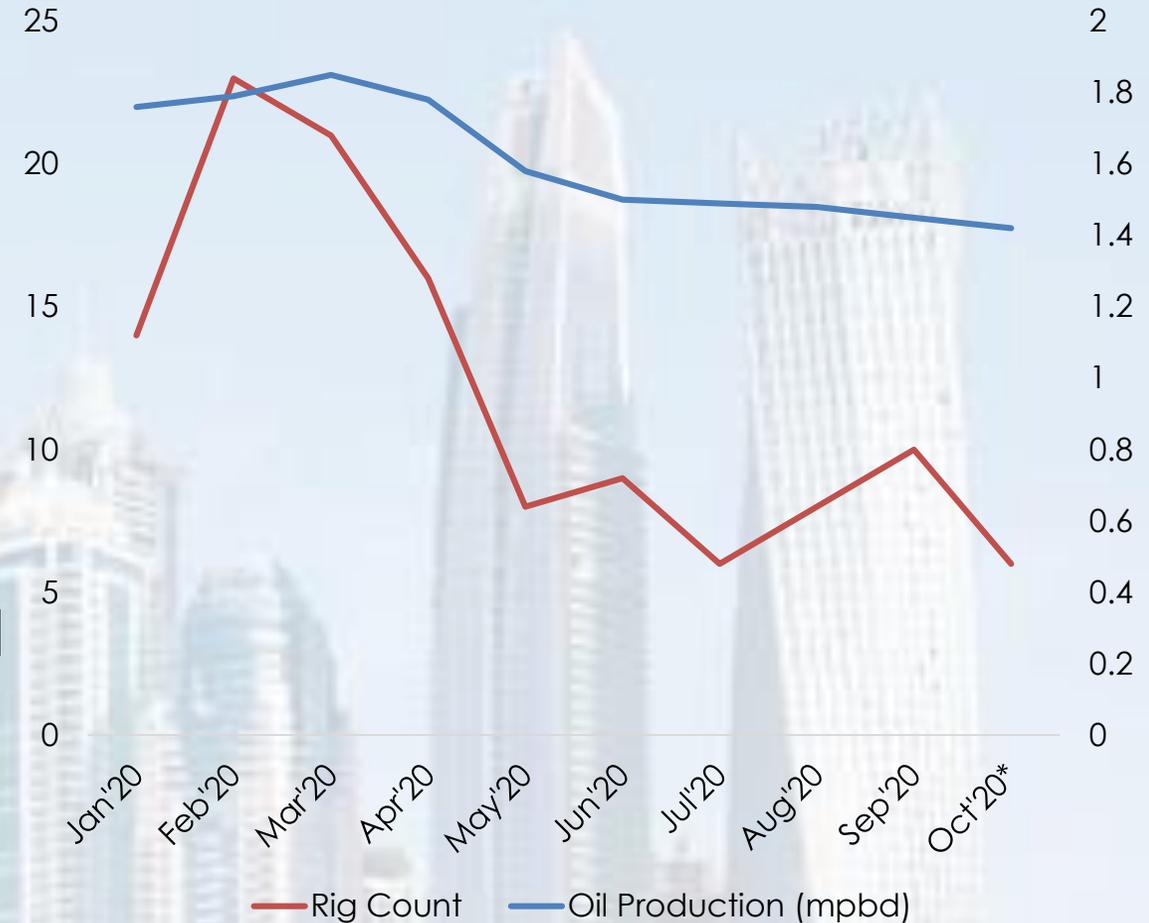
- ✓ September FAAC disbursements up 0.34% - N682.06 bn
- ✓ On higher VAT rate revenue, oil & gas royalty, company income tax, import & excise duty
- ✓ Allocation for October is likely to drop on lower oil output and prices
- ✓ VAT revenue could increase on further reopening of the economy



Oil Production Up, Rig Count Up

Oil Production, Rig Count

- ✓ Nigeria's oil output relatively flat at 1.48mbpd in July and August
- ✓ Active rigs up 33% to 8 from 6 in July
- ✓ Despite OPEC enforcing strict compliance to its production quota
- ✓ Oil production and active rigs could decline in October
- ✓ As Nigeria continues paying for "cheating" on its quota



Ships Awaiting Berth

Vessels Awaiting Berth	August	September
Lagos - Apapa	24	22
Lagos - Tincan	14	10



- ✓ Vessels awaiting berth in Lagos ports down 16% to 32 from 38 in August
 - ✓ Total vessels dropped to 42 from 46 in August
- ✓ Seaport activities to increase as international trade resumes



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Power Update - No Grid Collapses



5,195MW

Peak Energy
Generated



3,872MWH/H

Average Energy Generated



0

Total Grid
Collapses



45,996

Constrained Revenue
(Million Naira)



✓ Average power output 4.28% below 4,045MWH/hr recorded in August

Power Output (MWH/hr)



Source: Lavayo Advisors, FDC Think Tank

Power Sector News

- ✓ NERC issues order suspending tariff hike for 14 days
- ✓ World Bank starts \$750mn power support fund disbursement in 2021
- ✓ Discos to repay CBN N9.96bn in 4 months
- ✓ FG sites hydropower station in Osun state
- ✓ FG sinks \$5.8bn in Mambilla hydroelectric power project
- ✓ Collapsed infrastructure: electricity sector losses in 6 months- N365bn
- ✓ Estates in Lekki increase electricity tariff to over N105/kwh
- ✓ FG secures \$6.15bn for Nigeria's power infrastructure
- ✓ FG aggressively developing gas infrastructure – NNPC





When Will all Suspended Airlines Resume?

Global Aviation Industry Still Bleeding

- ✓ Global airlines posted substantial losses in Q2'20, industry-wide free cash flow also negative
- ✓ Confirming the severe impact of the pandemic on the airline industry



Airline Financial Results

Number of airlines in sample	Regions	Q2 2019		Q2 2020	
		EBIT margin ¹	Net post-tax profit ²	EBIT margin ¹	Net post-tax profit ²
15	North America	13.7%	4,967	-198%	-12,648
31	Asia-Pacific	8.3%	2,380	-39%	-6,514
11	Europe	8.2%	1,745	-113%	-8,637
8	Latin America	4.2%	-342	-229%	-3,449
5	Others	6.6%	38	-49%	-310
70	Sample total	10.0%	8,788	-97%	-31,558

Airline Cash Flow¹

Number of airlines in sample	Regions	Q2 2019			Q2 2020		
		Net cash flow ²	Capex	Free cash flow	Net cash flow ²	Capex	Free cash flow
13	North America	17.3%	10.4%	6.9%	-23.1%	18.7%	-41.8%
26	Asia-Pacific	11.7%	8.9%	2.7%	-29.5%	16.0%	-45.5%
8	Europe	11.3%	10.4%	0.9%	-63.1%	20.0%	-83.1%
5	Latin America	7.8%	9.1%	-1.3%	-19.4%	24.2%	-43.6%
5	Others	18.0%	12.0%	6.0%	-25.8%	6.8%	-32.6%
57	Sample total	13.4%	9.9%	3.5%	-34.5%	17.6%	-52.1%

- ✓ Losses were widespread across regions despite the implementation of cost cutting programs
- ✓ Passenger traffic is recovering but at a slow pace

Airlines are becoming Innovative to Stay Afloat



- ✓ Cargo demand is at a record high, confirming the lack of cargo capacity available in the market
- ✓ Airlines are trying to stimulate demand by cutting fares
- ✓ They are also negotiating with manufacturers to defer aircraft deliveries to reduce cash burn
- ✓ Year-end air travel forecast reviewed downward (-68%)
- ✓ Oil and jet fuel prices slightly rebounded with supply disruptions
- ✓ In SSA, Ethiopian airlines group is willing to provide operational assistance (planes, pilots and maintenance services) to SAA as part of a JV with the South African government
- ✓ The carrier ruled out any involvement with debt repayments



Domestic Aviation Update

- ✓ European airlines remain suspended until Nigerians can enter the EU
 - ✓ Lufthansa, Air France, KLM
- ✓ Delta enjoying monopoly of direct flights to the US
- ✓ United Airlines plans to resume in the spring of 2021
- ✓ We expect all flights to resume in December/ January
- ✓ Safety protocols and testing upon arrival will be required
- ✓ If vaccines are approved, we expect full recovery in 2022/2023



Domestic Aviation Update

- ✓ NCAA reviewed international flights schedule, limiting passengers to 200 per flight
- ✓ Following the request for additional flight frequencies by the airlines
- ✓ BA, Turkish Airlines, Ethiopian Airlines approved for daily flight operations
- ✓ FG lifts ban on Emirates Airlines, the carrier can now fly into Nigeria
 - ✓ After the UAE agreed to issue visas to Nigerians
- ✓ The new visa policy and new visa fees took effect October 1
- ✓ Arik air operations suspended by Aviation Unions





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What is the Policy Cocktail or Catalyst?

Economic Reform Timelines



(Jan'20)

- CRR increased by 500bps to 27.5%

(Mar'20)

- Partial deregulation of the downstream oil sector

(Mar'20)

- Exchange rate adjustment (I)
- Official & IEFX rates pegged at N360/\$ and N380/\$ respectively

(Jul'20)

- Exchange rate adjustment (II)
- Official exchange rate adjusted to N379/\$

(Jul'20)

- Liberalization of the downstream oil sector

(Aug'20)

- CAMA bill amended

(Sept'20)

- Cost reflective electricity tariffs

(Oct'20)

- PIGB submitted to NASS
- Commencing ratification of AfCFTA

Trend of Reversals & Contradictions



(Feb'20)

- Forex waivers granted to six dairy companies

(May'20)

- MPR reduced by 100bps to 12.5%p.a

(Jul'20)

- Ban on maize imports

(Aug'20)

- 3rd party buying agents prohibited from LCs
- Price verification scheme introduced

(Sept'20)

- Selective maize import approval granted

(Sept'20)

- MPR lowered by 100bps to 11.5%p.a
- Assymmetric corridor adjusted to +100/-700

(Sept'20)

- Dom account transfers to 3rd parties prohibited

(Oct'20)

- Interest rates fall sharply (OMO/T/bills) below inflation

Monetary Policy in the Next 4 Weeks

According to Stanbic IBTC

- ✓ Low yield environment is here to stay
- ✓ Investors need to adjust their expectations to a 3-6 month compressed interest rates scenario
- ✓ With inflation trending 1,100 basis points above risk free interest rates
- ✓ Maturing OMOs held by PFAs and banks unwilling to accept new deposits
- ✓ Back stopped by the LDR rule
- ✓ And punitive CRR debits with effective rates of 50-70%
- ✓ The CBN will closely watch the relationship between M2 growth & forex demand



Monetary Policy in the Next 4 Weeks

- ✓ An adjustment in the forex rate and a sale of forex backlog will suck out N2trn - N3trn
- ✓ The impact on interest rates will be approximately 200bps at the short end
- ✓ The World Bank and IMF will continue to encourage bridging the inflation/interest rates gap
- ✓ The MPC will be reluctant to reverse its position in November
- ✓ It will depend on how high the inflation numbers trend

Possible Fallout

✓ Price control

✓ Shortages

Backlash



✓ A fall in investor confidence

✓ Greater disparity between the official and parallel markets

✓ Speculators to pounce

New PIB - Highlights

- ✓ New PIB now with NASS
- ✓ A comprehensive review of the legal framework for the oil and gas sector
- ✓ Tax cut to 10% from 50% for fields producing more than 15,000bpd
- ✓ Royalties to remain at 10%
- ✓ Tax cut to 72.5% from 85% for onshore fields, royalties cut to 18% from 20%
- ✓ Price point at which higher royalties kick in raised to \$50pb
- ✓ New entities will be established to oversee upstream, midstream and downstream
- ✓ Downstream regulator to intervene and set PMS prices if it deems the competition in the sector as insufficient



New PIB - Highlights

- ✓ NNPC to become a limited liability company (LLC) and will operate as a commercial entity without government funding

Host communities to receive 2.5% of annual OPEX by oil companies



- ✓ Companies now barred from deducting gas flaring penalties from their taxes

- ✓ Companies now compelled to supply gas to the domestic market or face penalties of \$3.50/ mmbtu



Will the Stock Market Sizzle Fizzle?

Nigerian Stock Market in September

✓ Market cap  6.21% to N14.02 trillion

✓ NSE ASI  5.9% to 26,831

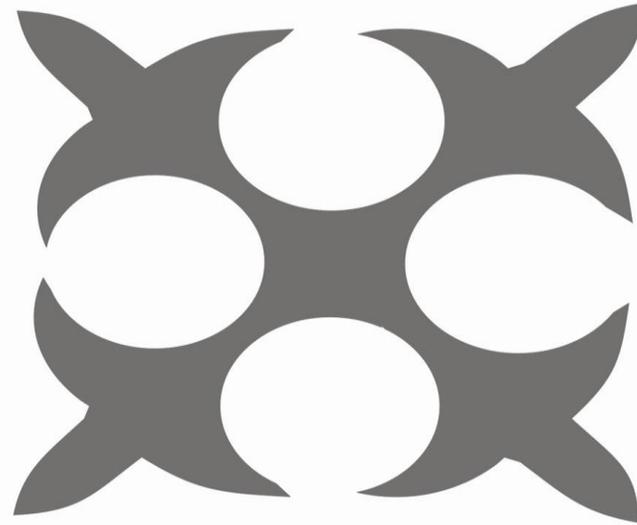
✓ 16 days positive, 6 days negative

✓ P/E  6.29% to 9.46x



Peer Comparison

Exchange	YTD Return	Driver
NSE ASI	 5.94%	<ul style="list-style-type: none"> Liquidity from institutional investors Hunt for attractive yields
JSE ASI	 2.18%	<ul style="list-style-type: none"> Local political turmoil Sell-off by foreign portfolio investors Decline in index giants
GSE	 0.54%	<ul style="list-style-type: none"> Bargain hunting especially in the consumer goods and industrial space



Custodian

...exceeding expectations

■ INSURANCE ■ PENSIONS ■ TRUSTEESHIP

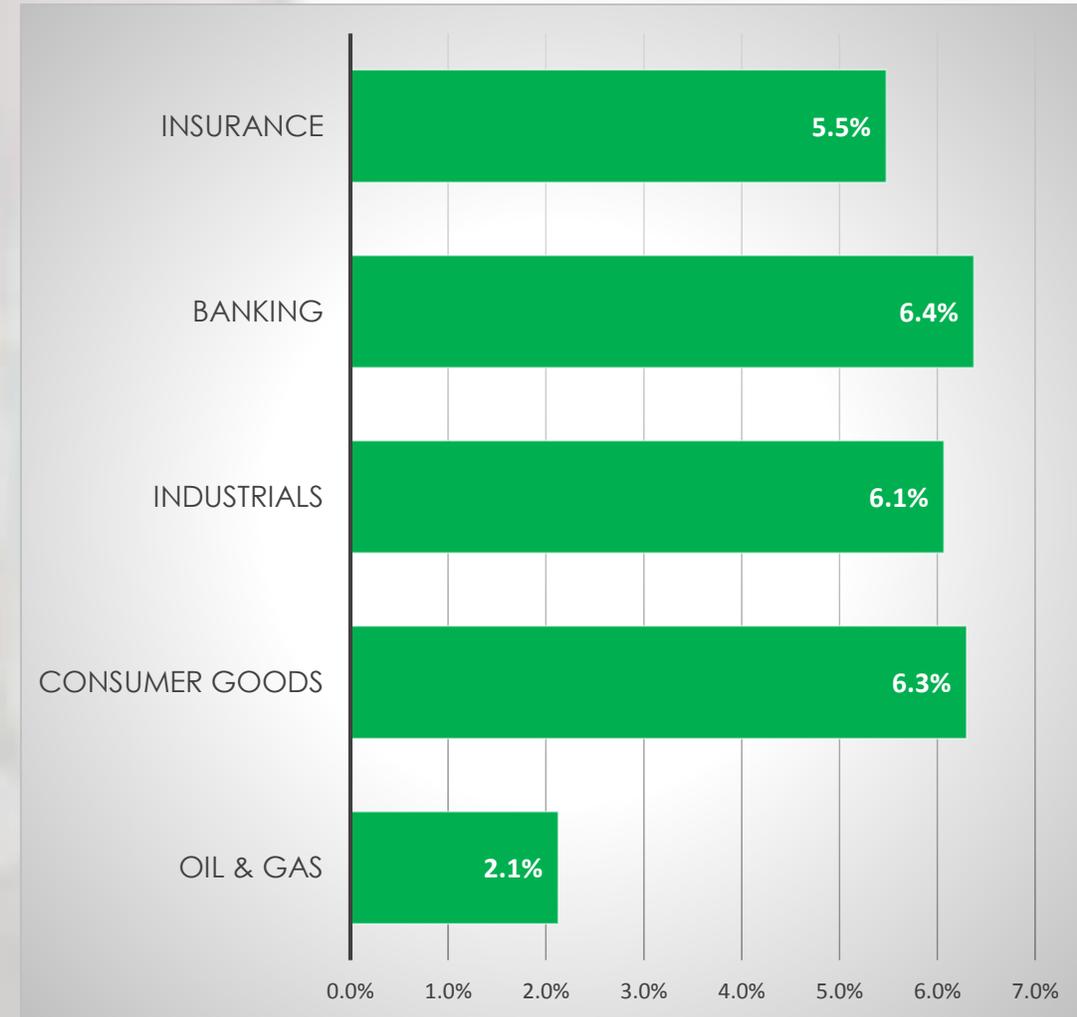
Sector Performance in September

- ✓ All sub indices recorded gains driven by
 - ✓ Hunt for attractive dividends
 - ✓ Liquidity from institutional investors

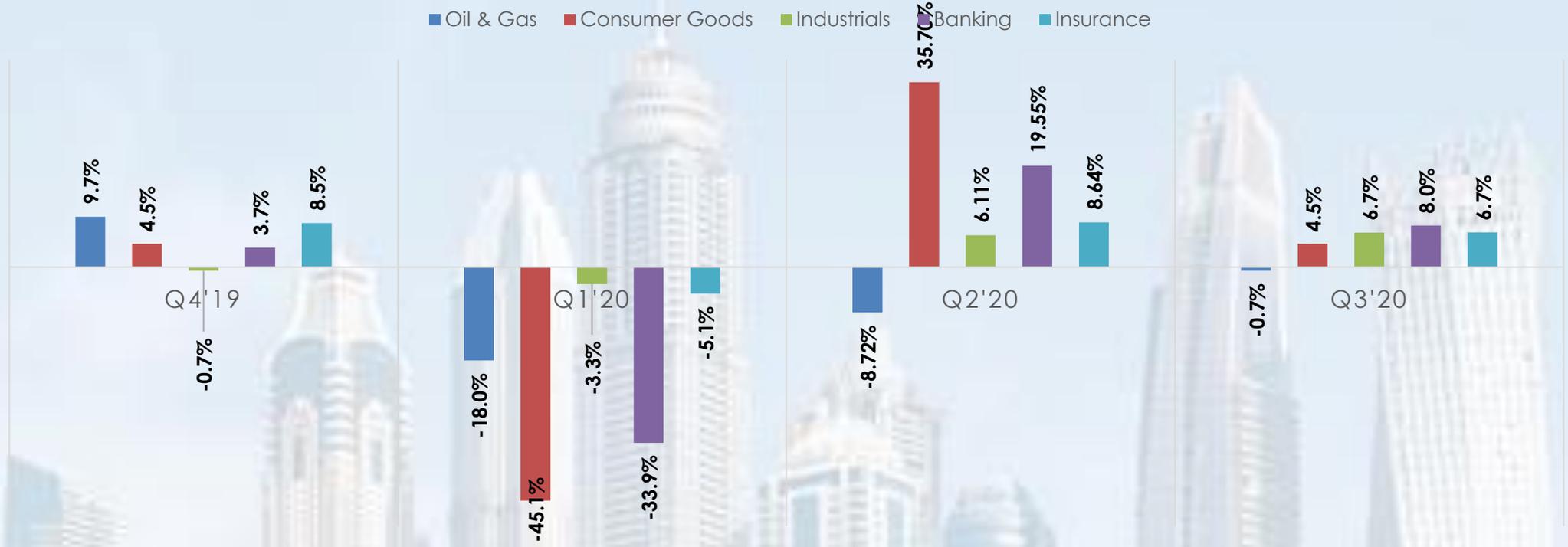


✓ Significant in volume and value traded at 41% and 31% respectively

- ✓ Banking recorded the highest gains
 - ✓ Driven by tier-1 banks
- ✓ Oil & gas recorded the least gain
 - ✓ Relative unattractiveness of the sector



Sectoral Share Price Movement



- ✓ All sectors largely impacted by the pandemic shock in Q1'2020
- ✓ Oil and gas sector reflective of slump in oil price in Q2'2020
- ✓ All sectors recorded positive return in Q3'2020

Market Sentiment vs Economic Reality

Sectors	GDP Growth (Q2'2020)	Earnings	Q3'20 Return	DY
Telecomms				
MTN	↑ 15.09%	↓ 4.70%	↑ 9.80%	6.27%
Airtel		↓ 56.9%	↑ 15.60%	7.48%
Manufacturing				
Guinness	↓ 8.78%	↓ 329%	↓ 3.45%	10.13%
Nestle		↓ 17.00%	↓ 6.50%	5.42%
Banking				
Zenith	↑ 28.41%	↑ 17%	↑ 10.90%	14.74%
GTB		↓ 4.90%	↑ 27.00%	9.43%
FBN		↑ 50.63%	↓ 0.95%	6.85%
Oil and Gas				
Mobil	↓ 6.63%	↓ 40%	↓ 2.96%	4.41%
Insurance				
Custodian	↓ 29.53%	↑ 24%	↓ 5.45%	8.41%
AllCO		↓ 2%	↑ 6.50%	6.20%

Investors show preference for banking and telecoms stocks

Corporate Actions

- ✓ United Capital Plc lists N10 bn bond on NSE
- ✓ Prestige Assurance extends rights offer period
- ✓ NSE hosts DangCem to a virtual facts behind the figures and sustainability report
- ✓ Dangote Sugar added additional 146,878,241 ordinary shares resulting from merger with Savannah Sugar
- ✓ NSE revises fee structure on debt instruments traded on its platform

Outlook for October

- ✓ Possible reversal in bullish trend driven by
 - ✓ Profit taking by speculators
 - ✓ Decline in institutional investors' liquidity due to decline in OMO maturities
 - ✓ Possible uptick on yields on fixed income instruments
 - ✓ Rally driven by large capitalized stocks with strong fundamentals to fizzle-out as they approach target price
- ✓ Net foreign outflow to continue
 - ✓ To widen on CBN's resumption of FX sale to FPIs
- ✓ Expected mixed result for Q3'20 earnings



Corporate Earnings

Banking Industry- H1'2020 Result

	Zenith Plc	GTB Plc	Access
Gross earnings	↑ 4.4% to N346bn	↑ 1.5% to N225bn	↑ 22.4% to N397bn
Interest Income	↑ 10.5% to N157bn	↑ 9.7% to N128bn	↓ 18.6% to N126bn
Profit after Tax	↑ 16.8% to N104bn	↓ 4.9% to N94bn	↓ 1.4% to N61bn
Impairment	↑ 74.2% to N24bn	↑ 209.7% to N7bn	↑ 236.7% to N16bn
Dividend yield	14.66%	9.49%	9.15%
YTD share return	8.9%	1.3%	-25.5%



- ✓ Resilient performance amidst volatile environment
- ✓ Access' topline still benefiting from merger with erstwhile Diamond bank
 - ✓ High operating cost weighing on bottom line
- ✓ Significant increase in provisions due to loan restructuring

Banking Industry (HoldCo)- H1'2020 Result

	FBN Plc	FCMB Plc	Stanbic
Gross earnings	↑ 5.7% to N296bn	↑ 9.3% to N98bn	↑ 7% to N126bn
Interest Income	↓ 7.3% to N131bn	↑ 17.4% to N45bn	↓ 4.5% to N38bn
Profit after Tax	↑ 23.6% to N36bn	↑ 28.8% to N10bn	↑ 24.9% to N45bn
Impairment	↑ 38.9% to N31bn	↑ 40.8% to N8bn	↑ 1049.7% to N6bn
Dividend Yield	6.85%	6.54%	5.77%
YTD Share return	-7%	20%	3.7%



- ✓ Strong top and bottom line supported by diversification
- ✓ Relatively lower impairment compared to non-holdco peers

Banking Industry - Outlook

- ✓ Macro weaknesses and regulatory constraints to limit scope for sustained value creation
- ✓ Fintech a threat to fee income
- ✓ Revenue diversification imperative to success
 - ✓ Increasing geographical spread
 - ✓ Business restructuring – tier 1 banks moving to a holding company (holdco) structure
- ✓ Possible drivers of return in H2'20 include
 - ✓ Lower deposit repricing
 - ✓ Improved fee income – decline of 23% in the value of e-transactions in Q2 to improve from Q3
- ✓ Banks with historically organic growth strategy are now opened to inorganic growth opportunities



Leo

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▪ Africa

• New York

• London

• Paris



Politics - Will Lightning Strike Twice?

Will Lightning Strike Twice?

- ✓ Ondo state likely to see the incumbent win
- ✓ Partly due to performance but mainly due to a powerful ground game

The ground game strategy worked in Edo state



- ✓ Edo state electorate resented and rejected the APC imposition video
- ✓ The Esans want the Binis to finish their term to allow for a rotation to the Central Senate Zone
- ✓ One common factor was solid performance

Will Lightning Strike Twice?

- ✓ The incumbents that fail to deliver and execute cannot win
- ✓ Technology is making rigging more difficult



- ✓ Fighting the 2023 battle by proxy
- ✓ Zik once said to those who were in a hurry to position themselves

“This is the long awaited dance but hope some chickens will not break their legs before the real music begins”

- ✓ The squabbling and jockeying has started

Will Lightning Strike Twice?

- ✓ King makers and princes are lobbying and dispensing patronage
- ✓ A big question is about zoning and power rotation
- ✓ The bigger issue is about competence and merit
- ✓ The assumption that Nigerians will sacrifice merit at the alter of ethnicity is a tall order
- ✓ The big parties are likely to splinter as personalities realign themselves in early 2021



Will Lightning Strike Twice?

✓ The Ondo state elections and the run-up at Anambra will set the tone for 2023

✓ It will be a litmus test



✓ The APC and PDP will have to overhaul the structure to be competitive in 2021



October/November Outlook

October/November Outlook

- ✓ Reform will continue, PMS deregulation & cost reflective tariffs
- ✓ Forex rationing will continue but with increased supply to the market
- ✓ Inflation will come close to 14%
- ✓ The MPC will have very limited options but will maintain status quo
- ✓ Will give guidance that if inflation increases again, will push up interest rates
- ✓ Oil prices will increase with Biden victory



October/November Outlook

- ✓ The external reserves will fall to \$33 bn as backlog clearance begins
- ✓ There will be greater scrutiny of forex transactions through the CBN

Matched transactions between parties will have to meet higher standards

 of review

Corporate Humour



Ignorance is like a delicate exotic fruit, touch it and the bloom is gone
- Oscar Wilde

I never hated a man enough to give him back his diamonds
- Zsa Zsa Gabor



Corporate Humour



A diamond is the only kind
of ice that keeps a girl
warm.
- Elizabeth Taylor

The problem with having an
open mind, is that people will
insist on coming along and
trying to put things in it
- Diggers



Corporate Humour



Pets are always a great help in times of stress and in times of starvation too
- Small Gods

Lots of people are animals inside.
Lots of animals are people inside
- *Witches abroad*



Corporate Humour



Goodness is about what you do. Not what you pray to
- *Snuff*

I'd rather be a rising ape
than a falling Angel.
- *Guardian*

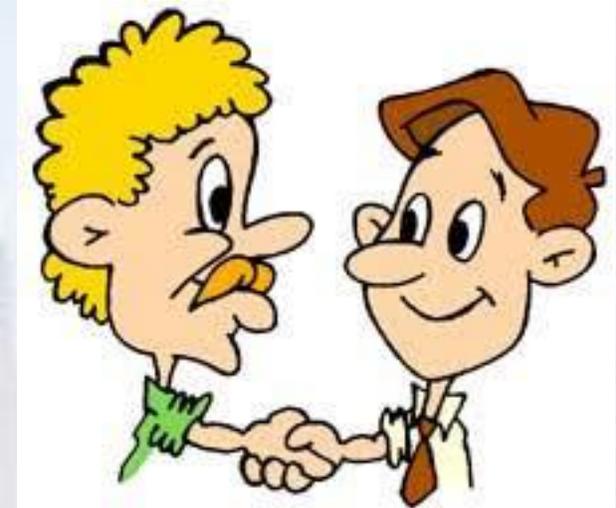


Corporate Humour



Two types of people laugh at
the law : those that break it
and those that make it.
- *Night watch*

A husband is what is left of
the lover after the nerve has
been extracted
- Helen Rowland



Corporate Humour



Love is temporary insanity
curable by marriage -
Unknown

A lawsuit is a machine which
you go into as a pig and come
out as a sausage.
- Unknown



Corporate Humour



Don't count the days,
make the days count
- Muhammad Ali

You can't depend on your eyes
when your imagination is out of
focus
- Mark Twain



Bismarck J. Rewane, M.D. /
CEO

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Financial Derivatives Company Ltd.
Lagos, Nigeria

A collage of various colored envelopes (red, blue, teal, purple, yellow) with a central white envelope that has a note attached. The note is a light cream color with the words "THANK YOU!" written in a bold, black, handwritten-style font. The envelopes are layered and overlapping, creating a vibrant, textured background. The entire composition is framed by a white border with a slightly distressed or torn edge effect.

THANK YOU!