



ECONOMIC UPDATE

A Weekly Bulletin of the Economic Research and Policy Management Division

Vol. 2, No. 10

Enquiries: research@sec.gov.ng

Week ended: 12 May, 2017

A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

News/Development	Relevance/Implications
 <p>e - Dividend: Mandated accounts hit 2.2 million as June 30 deadline for dividend warrants approaches</p> <p>The Director-General of Securities and Exchange Commission, Mr. Mounir Gwarzo, on Wednesday 10 May, 2017 disclosed that a total of 2.2 million investors had enrolled for the e-dividend payment platform as at April 30, 2017. He also said that the June 30, 2017 deadline for non-issuance of dividend warrants would not be extended, and urged investors to embrace the e-dividend payment platform. It may be recalled that over N42 billion unclaimed dividend has so far been paid since the introduction of the scheme. In a related development, the DG also announced that by September 1, 2017, the Direct Cash Settlement would become mandatory for all investors in the nation's capital market. It is expected that the DCS will bring about speed and transparency to the capital market.</p>	<p>The introduction of e-dividends and DCS will benefit all players. The cost of production and distribution of dividend warrants will be eliminated, saving time and money for Registrars. Investors will no more encounter the hurdles of converting the warrants into cash, helping to eliminate the problem of unclaimed dividends. The receipt of dividends by investors will thus be timely and the administration of dividend payment will be more transparent and efficient. In addition to that, making DCS mandatory will help resolve investors' complaints on diversion of their investment proceeds by unscrupulous stock brokers. These will protect investors and boost their confidence thereby improving the market.</p>
 <p>Inflation slows slightly to 17.24% in April</p> <p>The National Bureau of Statistics (NBS) on Tuesday, 16th May, 2017 released the April 2017 inflation report. The report revealed that in April 2017, the rate of inflation measured by the Consumer Price Index (CPI) was at 17.24 percent with a marginal decline of 0.02 percentage points from 17.26% in March. This signifies the third consecutive month of decline in the headline CPI rate. The food index rose by 19.30% (year-on-year) in April from 18.44% in March. The increase in the index was as a result of increases in prices of bread, cereals, meat, fish, potatoes, yams and other tubers, coffee, tea and cocoa, milk cheese and eggs and oils and fats.</p>	<p>This is a positive development especially coming at a time when the country's foreign reserve is at a 20-month high. Although food inflation has marginally increased, it is expected that the headline inflation will maintain the same trajectory due to a stronger Naira through the easing of the exchange rate pass-through as the Central Bank continues to intervene in the foreign exchange market. As the MPC meeting comes up next week, it is expected that the CBN will likely maintain the current monetary policy rates as inflationary pressures still persist as we have seen in the little spike in the month-on-month inflation.</p>

Do you know?

Exchange traded fund (ETF) is a marketable security that tracks the performance of an index, a commodity or basket of an asset. It is also an investment fund traded on the stock exchange. ETF was launched in 2011 and the ABSA NewGold ETF was the first to be listed on Nigerian Stock Exchange (NSE) on 19 December, 2011. There are currently Nine (9) ETFs on the Nigerian stock exchange. These are: Lotus Halal 15, NewGold, Siaml ETF 40, Stanbic ETF 30 and Vetiva Bank. Others are Vetiva Goods, Vetiva GR IF30, Vetind ETF and VSP Bond ETF. Market Capitalization for the ETF stood at N5.37 billion as at 12th May, 2017.



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

The NSE All Share Index ended the week on 12 May, 2017 with a value of 28,192.5. This revealed that the ASI increased by 6.72%, 8.6%, 5.9% and 9.0% week-to-date, month-to-date, year-to-date and year-on-year respectively. The market capitalisation was at N9.7trn at the end of the week, rising by 6.72% from the beginning of the week, 8.59% from the beginning of the month, 6.4% from the beginning of the year and 9.4% in the last one year. The positive performance of the market could be attributed to the impressive improvement in corporate earnings and stability in the foreign exchange market.

The Unlisted Securities Index was at 586.3 points, losing 1.2% week-to-date, 0.6% month-to-date, 5.3% year-to-date and 8.09% year-on-year. Consequently, the USI market capitalisation finished the week at N396.8b, signifying a 1.2% decrease from the start of the week and a 0.6% decrease from the beginning of the month. Available data indicates that the net asset value of Collective Investment Schemes stood at N251.9bn at the end of the period under review.

The Overnight and the Open Buy Back rates, in the money market, both rose to 29.5% and 27.5% respectively at the end of the week. The O/N increased by 11.6 percentage points while the OBB increased by 10.8 percentage points week-to-date.

In the commodities market, Brent crude ended the week at \$50.8, rising by 3.0% week-to-date, 0.8% month-to-date and 4.5% year-on-year. The black gold, however, fell by 8.3% year-to-date. Gold, cocoa, corn and cotton concluded the week higher, rising by 0.05%, 3.1%, 1.4% and 6.5% respectively at the end of the week.

The interbank exchange rate concluded the week at N305.6/US\$ falling by 0.13% week-to-date, while in the parallel market the naira gained ground against the green back, closing at N386/\$, or an appreciation of 1.04% during the week. The interbank rate lost 0.2% from the beginning of the year and 35.4% in the last one year. On the other hand, the parallel rate gained 26.9% from the beginning of the year and lost 16.3% in the last one year. Available data released by Central Bank of Nigeria revealed that Nigeria's external reserves stood at \$30.9bn, the highest in about 20 months. This indicates that Nigeria's external reserves decreased by 0.1% from the start of the week and 0.2% from the start of the month. It, however, rose by 18.4% from the beginning of the year and 15.4% in the last one year. The S&P500 index completed the week lower at 2,394.4, decreasing by 0.2% from the beginning of the week.

Market	Indicator	Value* @ 12-May-17	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	28,192.5	6.72	8.6	5.9	9.0
	Market Capitalisation (N'tn)	9.7	6.72	8.59	6.4	9.4
Unlisted (NASD)	Unlisted Securities Index (USI)	586.3	(1.2)	(0.6)	(5.3)	(8.09)
	Market Capitalisation (N'bn)	396.8	(1.2)	(0.6)	(5.26)	(5.6)
Collective Investment	Net Asset Value (N'bn)	251.9	-	-	16.1	(13.3)
Money	Overnight (O/N) (%)	29.5	11.6	25.1	20.8	24.3
	Open Buy Back (OBB) (%)	27.5	10.8	23.7	19.3	22.7
Commodities	Crude Oil (\$/b)	50.8	3.0	0.8	(8.3)	4.5
	Gold(\$/t oz)	1,227.7	0.05	(2.3)	5.7	(4.3)
	Cocoa(\$/mt)	2,015.0	3.1	11.6	(7.0)	(32.0)
	Wheat(\$/bu)	4.3	(0.2)	(4.7)	6.3	(8.5)
	Corn(\$/bu)	3.7	1.4	(0.3)	4.2	(4.2)
	Cotton(\$/lb)	82.2	6.5	3.5	14.5	34.7
External	Interbank Ex-rt (N/US\$)	305.6	(0.13)	0.07	(0.2)	(35.4)
	Parallel Ex-rt (N/US\$)	386.00	1.04	1.3	26.9	(16.3)
	External Reserves (\$'bn)	30.9	(0.1)	(0.2)	18.4	15.4
	S&P 500	2,394.4	(0.2)	0.1	6.1	16.0

* When value of the relevant day is not available, the price of the nearest day is taken.

WTD: week-to-date; MTD: month-to-date; YTD: year-to-date; YoY: year-on-year

Source: Computed by the SEC ERPMS Research Division; underlying data from NSE, NASD, SEC, FMDQ, Bloomberg CBN and FRED

Important Disclaimer

The information contained in this report reflects the existing judgment of the author(s) and current market conditions; it does not necessarily reflect the opinion of Economic Research and Policy Management (ERPMS) Division of the Securities and Exchange Commission, Nigeria. The information herein has been obtained from various sources and ERPMS makes no representation as to the accuracy or completeness of such information. ERPMS has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. ERPMS recommends that independent advice be sought should any party seek to place any reliance on the information contained herein. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Neither ERPMS, nor any officer or employee thereof accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. Any securities recommendations made herein may not be suitable for all investors. Past performance is no guarantee of future returns. Any modelling or back-testing data contained in this document is not intended to be a statement as to future performance.