

A. ANALYSIS OF RECENT ECONOMIC/FINANCIAL DEVELOPMENTS

	News/Development	Relevance/Implications
	<p>Federal Government to issue first Green Bonds in April as the CBN releases new FX Guidelines</p> <p>The Federal Government plans to issue Green Bonds in April 2017. The Director General of the Debt Management Office, Dr. Abraham Nwanko stated this on Thursday, 23rd February, 2017 in Lagos. The green bond is expected to be the first of its kind in Africa. A sum of twenty billion naira is expected to be floated for investors. The proceeds from the green bonds will be used to fund a range of climate-related initiatives including mass transit, land afforestation, remediation and solar projects. In a related development, the CBN on Monday, 20th February, 2017 released a new guideline on Foreign Exchange Transactions. This is aimed at increasing the availability of Foreign Exchange in order to ease the difficulties encountered by Nigerians in obtaining funds for Foreign Exchange transactions. The policy action will see the CBN providing direct additional funding to banks to meet the needs of Nigerians for Personal and Business Travel, Medical needs, and School fees, with immediate effect.</p>	<p>The Sovereign Green Bonds project is part of a strategic process by the Federal Government to widen the nation's funding options to foster economic recovery. The issuance of the green bond will aid diversification of government capital sources and ease capital-raising. It will increase private sector participation in the capital market and promote savings culture in the country. In addition, this will enable the FG to remain committed to fighting climate change in line with the Paris Accord of which it is a signatory. On the CBN new FX policy, if properly implemented, it will help in strengthening the Naira as the demand for foreign exchange in the parallel market will decrease. Consequently, this will positively affect the general price level.</p>
	<p>Nigeria's GDP contracted by 1.3% in Q4 2016, 1.51% full year 2016</p> <p>The National Bureau of Statistics (NBS) on Tuesday, 28th February, 2017 released the fourth quarter 2016 Gross Domestic Product (GDP) report. The report indicated that Nigeria's GDP contracted by 1.3% in the fourth quarter of 2016 down from 2.24% in the third quarter of 2016. However, this represents a lower performance when compared to the 2.11% growth rate recorded in the final quarter of 2015. Consequently, Nigeria's GDP declined by 1.51% in 2016 compared with a growth of 2.79% in 2015.</p>	<p>This contraction reflects a difficult year for Nigeria, which was caused by weaker consumption demand induced by inflation, an increase in pipeline vandalism resulting into low oil production, significantly reduced foreign reserves and weaker currency. The good news is that, quarter-on-quarter, real GDP increased by 4.09% and the full year GDP figure is higher than expected, superseding the IMF projection of -1.8%. This herald a new era of recovery and positive growth. The Government is therefore expected to sustain the forex market reform and spending in social intervention programmes in order to strengthen the growth trajectory.</p>

Do you know?

Following the recommendation put forth by the Financial System Review Committee in 1976, the Securities and Exchange Commission was chartered with SEC Decree No. 71 of 1979. This act established a fully independent SEC to supersede the Capital Issues Commission. The Act of 1979 was repealed by the SEC Decree No. 29 of 1988. Following the Odife Panel report of 1996, the Investment and Securities Act (ISA) No. 45 of 1999 was promulgated. In 2007, the ISA 1999 was reviewed and replaced with ISA No.29 of 2007 the extant law governing operations in the Capital Market. The Investment and Securities Act (2007) is the latest and most comprehensive statute ever enacted on the Nigerian capital market. This act established the SEC as the apex regulatory authority for the Nigerian Capital Market. Efforts are under way to amend the ISA (2007) in order to accommodate some emerging issues.



B. PERFORMANCE OF SELECTED ECONOMIC INDICATORS

For the week ending 24th February, 2017, the NSE All Share Index closed at 25,250.4, a marginal increase of 0.003% compared to the level at the beginning of the week. The ASI also recorded a decrease of 2.5% and 5.1% from the beginning of the month and from the beginning of the year respectively. Accordingly, the equities market capitalisation was at N8.7trn at the conclusion of the week, rising by 0.01% week-to-date. The market capitalization fell by 2.1% month-to-date, 4.6% year-to-date but rose by 6.2% year-on-year.

The Unlisted Securities Index was at 588.1 points, gaining 0.1% week-to-date and losing 5.1% month-to-date. The index also fell by 5.0% from the beginning of the year and 0.04% in the last one year. Hence, the USI market capitalisation ended the week at N398.0b, signifying a 0.1% increase from the beginning of the week and a 5.1% decrease from the beginning of the month. Available data indicates that the net asset value of Collective Investment Schemes stood at N227.1bn at the end of the period under review. The Net Asset Value however suffered a reduction of 21.8% in the last one year.

In the money market, the Overnight and the Open Buy Back rates both fell to 14.1% and 13.1% respectively at the end of the week. The O/N fell 7.1% while the OBB declined 7.4% week-to-date. These decreases could be explained by the sharing of about N400 billion by FAAC to federating units on Monday, 20th February, 2017.

In the commodities market, Brent crude ended the week at \$56, falling by 0.3% week-to-date and 1.4% month-to-date. There was, however, a 0.9% year-to-date increase and a 59.5% year-on-year increase. Cocoa, wheat and corn also ended the week lower, falling by 0.1%, 0.4% and 1.5% respectively. Gold and cotton, on the other hand, gained 1.6% and 1.2% respectively from the beginning of the week.

The parallel and interbank exchange rates both concluded the week at N460/US\$ and N305.5/US\$ in that order. The interbank rate closed flat while the parallel rate gained 13% week-to-date. This massive gain in the Naira could be attributed to the new foreign exchange policy that was introduced by the Central Bank of Nigeria on Monday, 20th February, 2017. The interbank rate lost 0.16% from the beginning of the year and 35.5% in the last one year. Contrariwise, the parallel rate gained 6.5% from the beginning of the year and lost 37% in the last one year. Available data released by Central Bank of Nigeria revealed that Nigeria's external reserves stood at \$29.4bn indicating that Nigeria's external reserves increased by 0.4% week-to-date, 4.2% month-to-date, 12.7% year-to-date and 5.8% year-on-year. The S&P500 index completed the week higher at 2,367.3, increasing by 0.1% from the beginning of the week.

Market	Indicator	Value* @ 24-Feb-17	WTD (%)	MTD (%)	YTD (%)	YoY (%)
Equities (NSE)	All Share Index (ASI)	25,250.4	0.003	(2.5)	(5.1)	5.7
	Market Capitalisation (N'tn)	8.7	0.01	(2.1)	(4.6)	6.2
Unlisted (NASD)	Unlisted Securities Index (USI)	588.1	0.1	(5.1)	(5.0)	(0.04)
	Market Capitalisation (N'bn)	398.0	0.1	(5.1)		
Collective Investment	Net Asset Value (N'bn)	227.1	-	4.6	4.6	(21.8)
Money	Overnight (O/N) (%)	14.1	(7.1)	7.8	5.3	9.4
	Open Buy Back (OBB) (%)	13.1	(7.4)	7.7	4.8	9.0
	FGN Bond Implied Yield (%)	16.5	-	0.1	0.4	4.4
Commodities	Crude Oil (\$/b)	56.0	(0.3)	(1.4)	0.9	59.5
	Gold(\$/t oz)	1258.3	1.6	4.1	8.3	3.1
	Cocoa(\$/mt)	1994.0	(0.1)	(5.5)	(7.9)	(31.0)
	Wheat(\$/bu)	4.5	(0.4)	3.2	10.1	(0.9)
	Corn(\$/bu)	3.7	(1.5)	0.8	4.2	3.2
	Cotton(\$/lb)	76.6	1.2	0.2	6.7	33.1
External	Interbank Ex-rt (N/US\$)	305.5	-	3.1	(0.16)	(35.5)
	Parallel Ex-rt (N/US\$)	460	13.0	8.3	6.5	(37.0)
	External Reserves (\$'bn)	29.4	0.4	4.2	12.7	5.8
	S&P 500	2367.3	0.1	3.9	4.9	22.7

* 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 ERP Research Division; underlying data from NSE, NASD, SEC, FMDQ, Bloomberg CBN and FRED

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