



LBS Breakfast Session

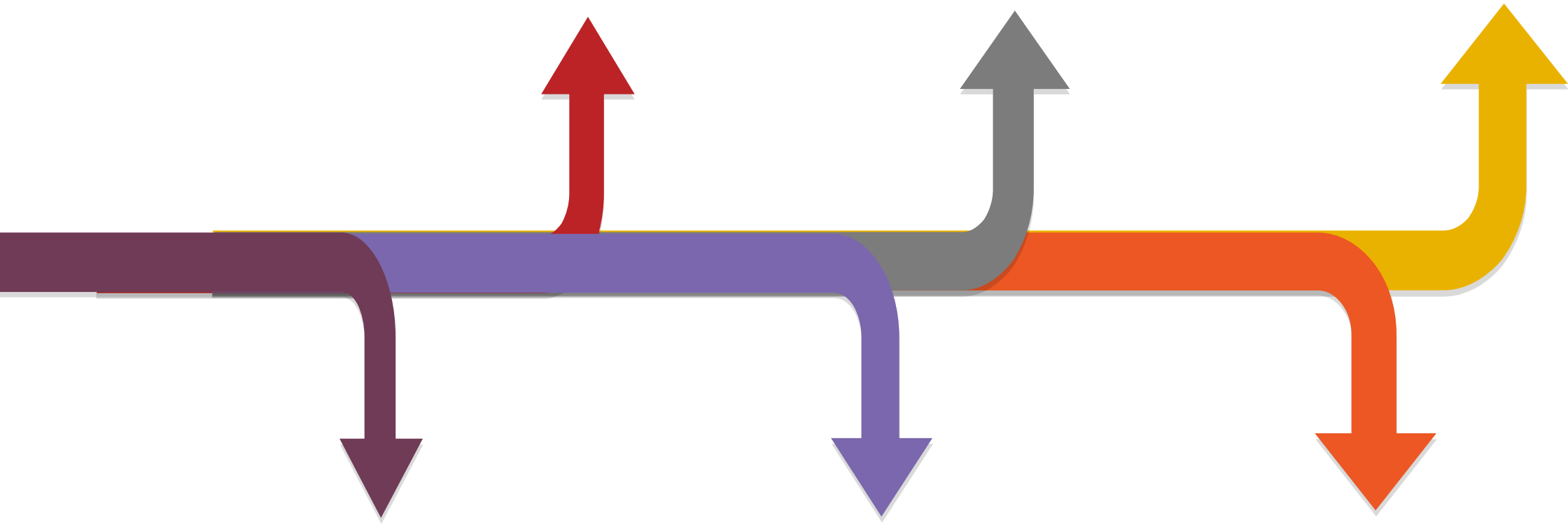
Cross Sector Commentary

October Overview

Global Picture

Stock Market Review

Outlook for November



October Highlights

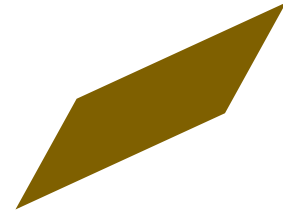
Domestic Overview

Policy and Politics



October Review

October Review



- ❑ Oil price has fallen by 9.76% to \$74pb since September
- ❑ Oil production plus condensates is at 2.1mpb
- ❑ No reported force majeure in October
- ❑ On grid power rises by 6.8% to an average of 3,752MWh/h in October
- ❑ Constrained mainly by gas supply and transmission inadequacy
- ❑ Revenues from oil in October fell to \$7.1bn-\$7.4bn
- ❑ Terms of trade improved by 3.9 points to 26.9 in 2018
- ❑ External reserves fell 11.08% to \$41.9 since July

October Review

- ❑ Two bulge bracket banks, UBS and HSBC, close rep offices in Nigeria
- ❑ Foreign portfolio investment flows reduced in Nigeria to \$4.12bn
- ❑ The stock market lost 0.92% in September/October; 11 negative days and 11 positive days
- ❑ Average revenues of FMCG's declined by 7.25%, mainly flour millers
- ❑ The PMI jumped 5.21% to 56.5 on strong inventory orders
- ❑ Consumer confidence crashed to 60.8 on lower disposable income and purchasing power concerns
- ❑ Increasing consumer resistance, down trading and shifting behaviour

October Review

- ❑ Headline inflation increased for the 2nd consecutive month
- ❑ Projected to rise in October to 11.35%
- ❑ Core inflation declined and food inflation up to 13.31%
- ❑ Retail price of diesel jumped to N255 per liter stoking logistic costs
- ❑ Subsidy on PMS reaches N63 per liter on 60 million tonnes per day
- ❑ Urban traffic in Lagos sharply worse after Ambode's distraction
- ❑ Peak average travel time between Lagos mainland and Island now 90 – 120 minutes
- ❑ Peak travel time between Ajah and Victoria Island 65 minutes
- ❑ Eating into worker productivity and motivation

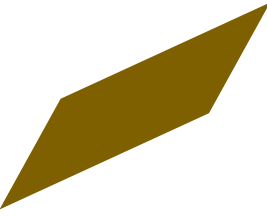
October Review

- ❑ Labor productivity growth for 2018 increases to -0.7% from -2%
- ❑ Minimum wage agreed at N30,000.00 (\$83) per month
- ❑ Inflation compensated wage should be N41,000.00 per month
- ❑ \$200 minimum wage (exchange rate reflective) is N76,000
- ❑ The CBN intervention in forex was sharply higher - 45% at \$1.51bn in October
- ❑ Leading to increased depletion of the external reserves to \$41.9bn
- ❑ Nigeria falls one place in the global ranking of “ease of doing business”

October Review

- ❑ General Electric has pulled out of the Nigerian Railway Investment of \$2.8bn
- ❑ CBN increases minimum capital requirements for microfinance banks by 150% (national) and 900% (unit and state)
- ❑ To improve governance, increase consolidation and scale economies
- ❑ MTN blames delayed listing on CBN & AGF as misguided enthusiasm
- ❑ MTN and FGN now likely to settle out of court without prejudice
- ❑ EFCC accuses MTN of economic sabotage
- ❑ Seen widely by observers as another shakedown

October Review



- ❑ Unemployment data release date postponed again to December 7
- ❑ Last data was released a year ago in Q4'18
- ❑ NBS under pressure to meet a congested time table for data release
- ❑ CBN expressed a preference for a stronger naira over higher reserves
- ❑ CBN revokes Skye Bank license
- ❑ Credit to the private sector increased by 0.94%
- ❑ Banks are risk averse and have no appetite for new loans

Implications and Impact of October Highlights

- ❑ Shift in Nigerian trade flows in favor of

South Korea	7.5%
China	21.1%
Belgium	8.7%
USA	8.4%

- ❑ Nigerian importers are purchasing more from weaker currency countries
- ❑ Higher oil price and subsidy backlog is making diesel imports unattractive
- ❑ Increased oil production means Q3 GDP may reach 2%
- ❑ Inflation already increasing and will get worse as wages rise
- ❑ Corporate earnings are under pressure
- ❑ Leading to price wars and undercutting competition



Global Picture

US: Strong Jobs Report Just Before Midterms

- ❑ Democrats take control of the House & Republicans keep the Senate
- ❑ Checks and balances will restrain the excesses of Donald Trump
- ❑ Economic momentum strong in the face of tariffs, volatility in the stock market but high debt
- ❑ The US added 250k jobs in October – beating analysts' estimate of 188k
- ❑ October jobs report shows fastest wage growth in a decade
- ❑ Wages were 3.1% higher in September than they were a year ago – well ahead of expectations of 0.5%

US: More Inflation Brewing?

- ❑ Unemployment rate is now at 3.7%, the lowest since 1969
- ❑ Wage growth expected to accelerate further as labor market tightens
- ❑ Feds preferred gauge of inflation – Personal Consumption Expenditure (PCE) – rose 2.5% in Q3

US: Fed vs Trump – Can the Fed be Independent?

- ❑ Trump has been vocal in his criticism of the Fed's monetary policy
- ❑ He insists rate hikes and stronger dollar makes US exports uncompetitive
- ❑ He is not the first US president to be opposed to Fed's policy direction
- ❑ Reagan ordered Fed chair Volcker to not raise rates before the election in 1984
- ❑ Even though it was something Volcker previously had no intention of doing
- ❑ The big question is – what if Volcker had wanted to raise rates?
- ❑ A central bank that appears subservient to political concerns will rapidly lose credibility in the markets

US: Sanctions on Iran Take Effect

- ❑ New period of uncertainty as renewed sanctions on Iran take effect
- ❑ Trump hopes the policy will inflict pain on Iran without causing a spike in oil prices
- ❑ Initial impact has been relatively benign – prices have been on the decline
- ❑ Temporary waivers have been granted to eight countries including India and China – conditioned on steady reductions of imports
- ❑ Gradual approach allows European and Asian customers to find suppliers to replace Iranian crude
- ❑ Sanctions should cut roughly 2% of global oil supplies over the next year

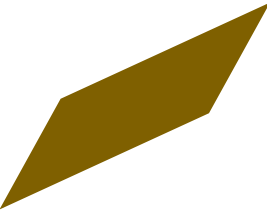
EU: Mixed Signals

- ❑ Euro-area growth disappoints; GDP rose 0.2% in Q3'18
- ❑ Slowest pace since 2014 and less than the 0.4% estimate
- ❑ Risks remain prominent: Italy budget crisis dragging on and a hard Brexit looming
- ❑ Inflation accelerated despite economic slowdown – to 2.2% in October from 2.1% in September, lifted by energy prices
- ❑ The mix of accelerating inflation and slowing growth comes at a crucial time for ECB as it prepares to scale back stimulus

China

- ❑ China grew by 6.5% in Q3 – slowest pace since 2009
- ❑ The Chinese yuan hit its weakest point since 2008
- ❑ Almost seven yuan to the dollar
- ❑ Good for Chinese exports
- ❑ Bad for Nigeria in the swap deal

The Chinese Century is Well Underway



- ❑ The US may be the global superpower, but China has replaced it as driver of global change

- ❑ On PPP basis, China became the world's largest economy in 2013

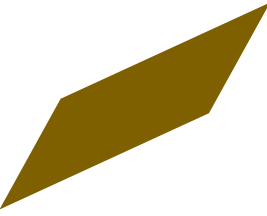
- ❑ GDP per person (PPP) in China has risen ten-fold since 1990

- ❑ Compared to two-fold in other countries that were as poor as China in 1990

- ❑ Its population and rapid development have made it responsible for a remarkable share of global change

- ❑ It has accounted for 45% of the gain in world GDP since the financial crisis of 2008

The Chinese Century is Well Underway



- ❑ In 1990, 750mn people lived in extreme poverty; today that figure is down to fewer than 10mn
- ❑ This represents two-thirds of the worlds decline in poverty during that time
- ❑ China is also responsible for half of the total increase in patent applications over the same period
- ❑ China's growth means it is now in a position to compete with the US and Europe for influence in Africa
- ❑ It has become Africa's most important economic partner and infrastructure financier

Implications

On Nigeria

- ❑ Weaker yuan means Chinese loans are easier to repay
- ❑ Wage growth in the US likely to result in more rate hikes than anticipated
- ❑ To trigger increased capital outflows and put pressure on the naira
- ❑ Stronger dollar to dampen commodity prices – oil, LNG, cocoa
- ❑ Higher cost of borrowing at a time Nigeria plans to issue a \$2.8bn Eurobond

On Corporates

- ❑ International financing will become more expensive
- ❑ Companies to hedge on forex-denominated transactions



THE ADDRESS HOMES ALMA BEACH BEHIND MERCEDES BENZ 3rd round about Lekki Lagos
This detached homes built to top unique architectural standards with the modern top end finishing for your enjoyment. Each unit with its unique view and serene spatial arrangement.



THE ADDRESS HOMES ELEGUSHI-LEKKI (beside World Oil Station), located between 4th & 5th round-about on the Lekki Express Road. Its a contemporary, urban lifestyle, fully serviced estate consisting of different types of specious 5 Bedrom Semi-detached and limited number of 5 Bedroom fully detached homes/villas, all unquely designed for functionality and aesthetics.

CONSTRUCTION WORK IN PROGRESS.

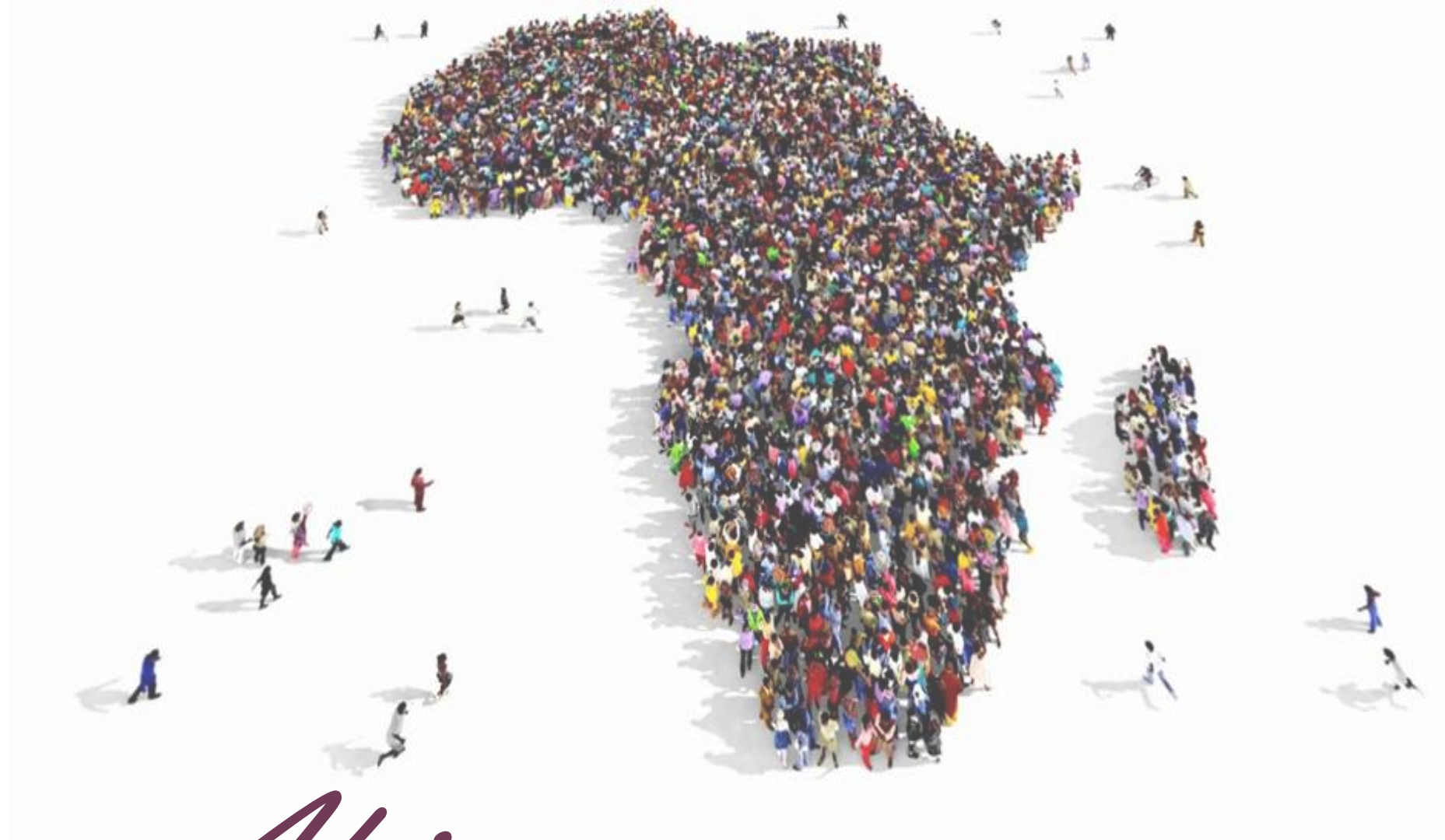
call

Segun - 09087504002
Doyin - 09087504003
Rebecca - 09087504004

@theaddresshomes @theaddresshomes @theaddresshomes
WWW.THEADDRESSHOMES.COM

THE ADDRESS HOMES LTD.

21, RIBADU ROAD, OFF AWOLOWO ROAD, IKOYI
LAGOS, NIGERIA
P.O BOX 55500, IKOYI LAGOS
01-2803351, 01-2803352



Sub-Saharan Africa

Small is nimble and big is humble

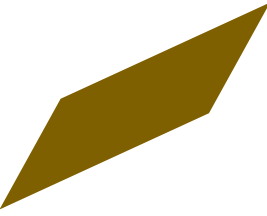
Nigeria and South Africa eat humble pie

South Africa – SARB to Raise Interest Rates

- ❑ South Africa's central bank says monetary authorities will soon be faced with a single policy option to raise interest rates
- ❑ Central bank says price stability is under much pressure
- ❑ Rand has lost approximately 16% year to date
- ❑ South Africa will hold its MPC meeting on November 22nd
- ❑ Unemployment rate rose further to 27.5% in Q3 from 27.2%
- ❑ Higher unemployment rate, coupled with an economic recession could compel monetary authorities to delay monetary tightening



Kenya – Government to Borrow \$2bn



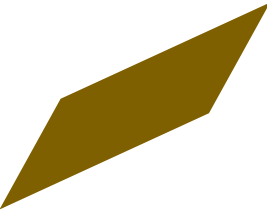
- ❑ Kenya to offer Eurobonds and seek a syndicated loan to raise \$2.8bn in net external financing in 2018/2019
- ❑ In February, Kenya raised \$2bn in a Eurobond issue, six times oversubscribed
- ❑ Priced at 7.25% pa for the 10-year and 8.25% pa for the 30-year tenors
- ❑ Higher interest rates in advanced economies could raise prices on the imminent issue
- ❑ The IMF also raised the country's risk of defaulting on debt repayments to moderate from low on concerns of higher spending and revenue shortfall
- ❑ This would threaten the government's proposed borrowing



Ghana – Economic Growth Flat in Q2

- ❑ Ghana's economic growth (y/y) rate was flat at 5.4% in Q2 2018
- ❑ Q1 '18 GDP growth figure was revised downwards to 5.4% from 6.8%
- ❑ Quarter on quarter growth was 1.3% in Q2, also the same as Q1
- ❑ Q2'18 growth (y/y) was the weakest since Q3'16
- ❑ Lower than 11% in Q2'17
- ❑ Slow growth reflective of a higher GDP after September's rebasing exercise
- ❑ Growth rate will likely remain below its 2017 levels due to a higher GDP base

Is the Chinese Debt a Poison Chalice?



- ❑ Africa's total external debt currently stands at \$417bn, approximately 12% of Africa's GDP
- ❑ An estimated 20% of this is owed to China
- ❑ China is the single largest creditor country to the continent
- ❑ A ticking time bomb
- ❑ Most Chinese loans go into infrastructure (roads, railways, ports)
- ❑ There is concern over the real returns of these projects

Is the Chinese Debt a Poison Chalice?

- ❑ Congo Brazzaville and Zambia are most exposed to Chinese debt distress
- ❑ A low interest rate makes Chinese loans attractive to African countries
- ❑ Higher US interest rates and a stronger dollar could raise repayment burden
- ❑ African countries would likely have to adopt austerity measures to repay
- ❑ Refinancing may not be a feasible option; potential creditors would be sceptical about repayment abilities
- ❑ Repayment would reduce government finances and slowdown economic activities on the continent in the long run



Domestic Economic Performance

Economic Indicators

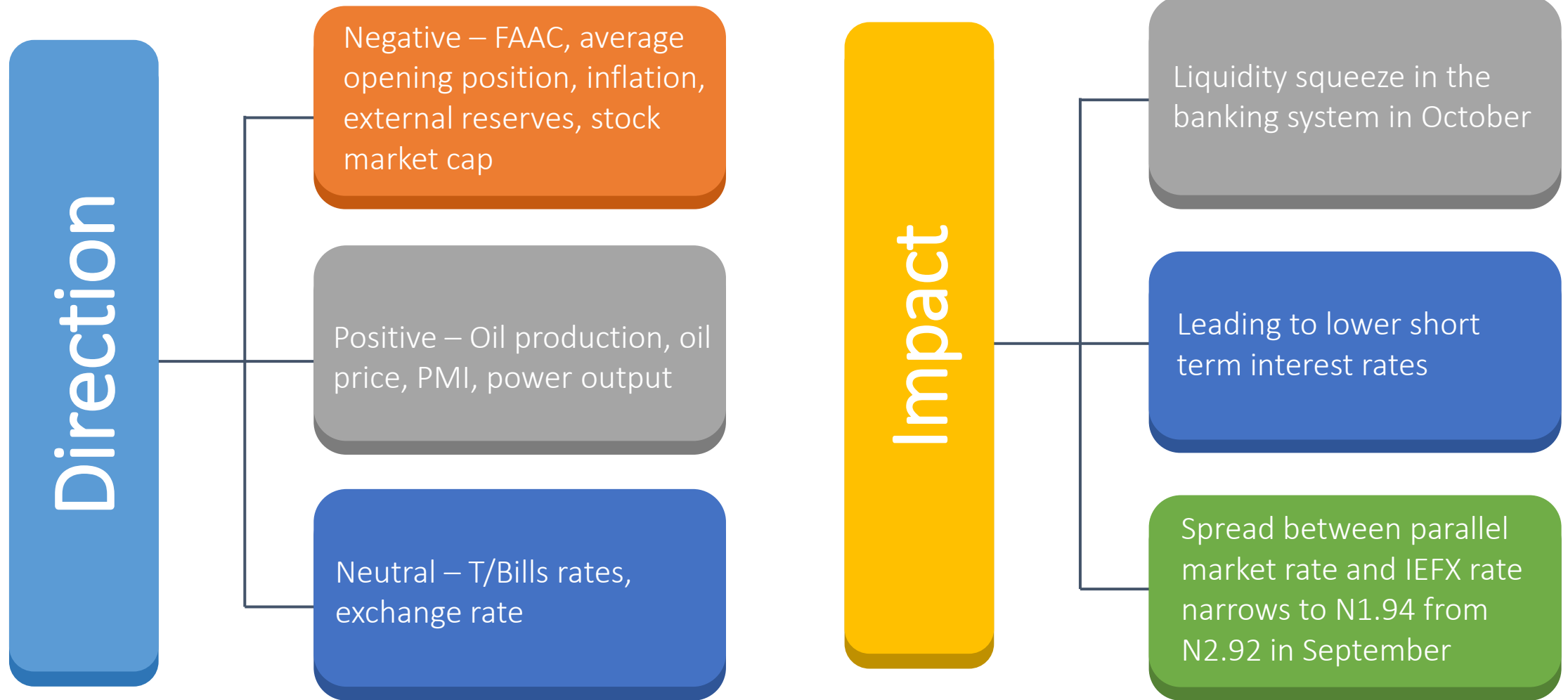
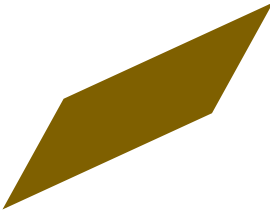
Leading Economic Indicator	September	October	% Change	Impact	November's Forecast*
YTD M2 growth (%)	4.04 (July)	3.58 (August)	-0.46	Still below CBN's benchmark of 10.48%	3.5-4.0 (September)
Average Opening Position (N'bn)	423.23	202.12	-52.24	Leading to higher interest rates	250-300
FAAC (N'bn)	741.8	698.71	-5.81	Increases salary backlog across states and reduce government investments	650-700
T Bills (91 days) (%) – Primary	11.00	10.98	-0.02	Increases government debt service	10.20-10.50
T Bills (182 days) (%) – Primary	12.20	13.49	+1.29		13.20-13.50
Average NIBOR (%) (OBB, O/N)	7.69	14.81	7.12	In tandem with decreased naira liquidity	12-15
Average Lending Rate (%) (pa)	18.00	18.00	-	Still high; lower lending rates needed to boost activities in the real sector	18-21
Inflation (%)	11.23 (August)	11.28 (September)	0.05	Higher inflation will be a front burner issue at the next MPC meeting	11.35 (October)
PMI	FBN: 53.7 CBN: 56.2	FBN:56.5 CBN:56.8	5.21 1.07	Projected to remain in the expansion territory for the last two months in 2018	56-58 57-57.5
Oil Price (\$pb; avg)	79.22	80.69	1.86	<ul style="list-style-type: none"> Higher oil price is positive for dollar and fiscal accretion But negative for subsidy payment 	75-77

Economic Indicators

Leading Economic Indicator	September	October	% Change	Impact	November's Forecast*
Oil Production (mbpd)	1.72 (Aug)	1.75 (Sept)	1.74	Minimal disruptions to pipelines expected ahead of 2019 elections	1.75-1.80 (Oct)
Power (MW; avg)	3,513	3,752	6.80	Average output still below 4,000MWh/hour	3,700-3,900
Natural Gas (\$/MMBtu; end)	3.01	3.26	8.31	Would boost export revenue	2.5-3.0
External Reserves (\$bn) (end)	44.31	42.06	-5.08	Stronger naira taking preference over buoyant reserves	40-41
Exchange rate (N/\$; month-end)	Parallel: 361 IFEM: 306.35 IEFX: 363.92	Parallel: 362 IFEM: 306.60 IEFX: 363.54	-0.28 -0.08 0.10	CBN's priority is to defend the naira with regular interventions in the forex market	Parallel: 360-362 IFEM: 306.50 IEFX: 364-365
Stock Market Cap (N'trn)	11.96	11.85	-0.92	Negative political sentiment is reflecting negatively on investor confidence	11.50-12.00

*: FDC's Forecast

Mixed Performance of LEIs in October



Mixed Performance of LEIs in October

- ❑ Economic challenges persist
- ❑ External imbalances are growing
- ❑ Vulnerabilities are rising
- ❑ Risks are elevated

Domestic Economy - Output



Avg. Power Output up 6.8% in October



4928MW

Peak Energy
Generated



3752MWH/H

Average Energy
Generated



599.5 MMSCF/D

Average Gas
Delivered to Plants



0

Total Grid
Collapses

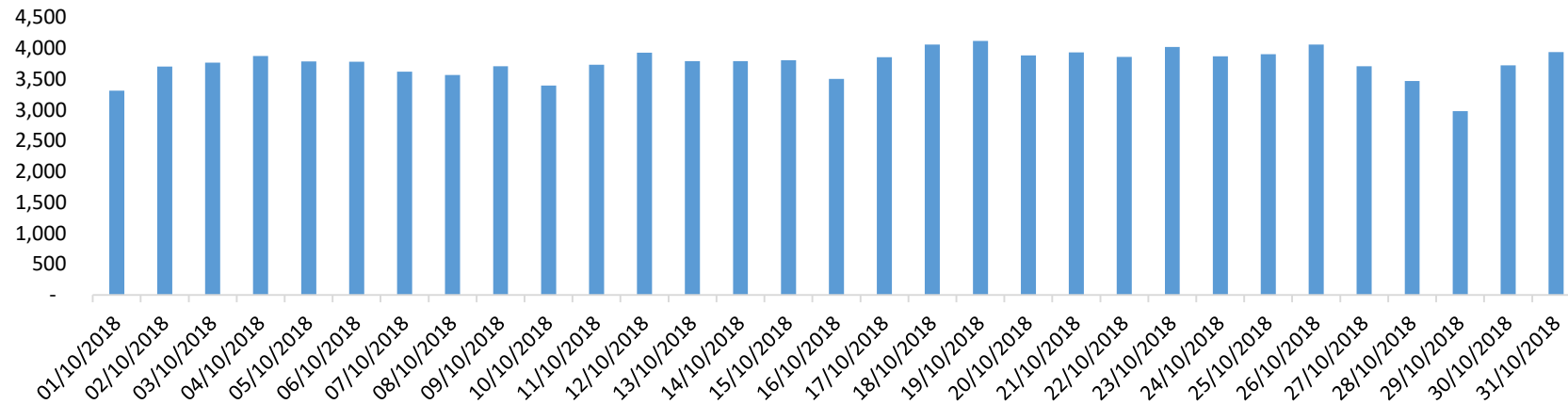


3514MW

Average
constrained
energy



Power Output MWh/h



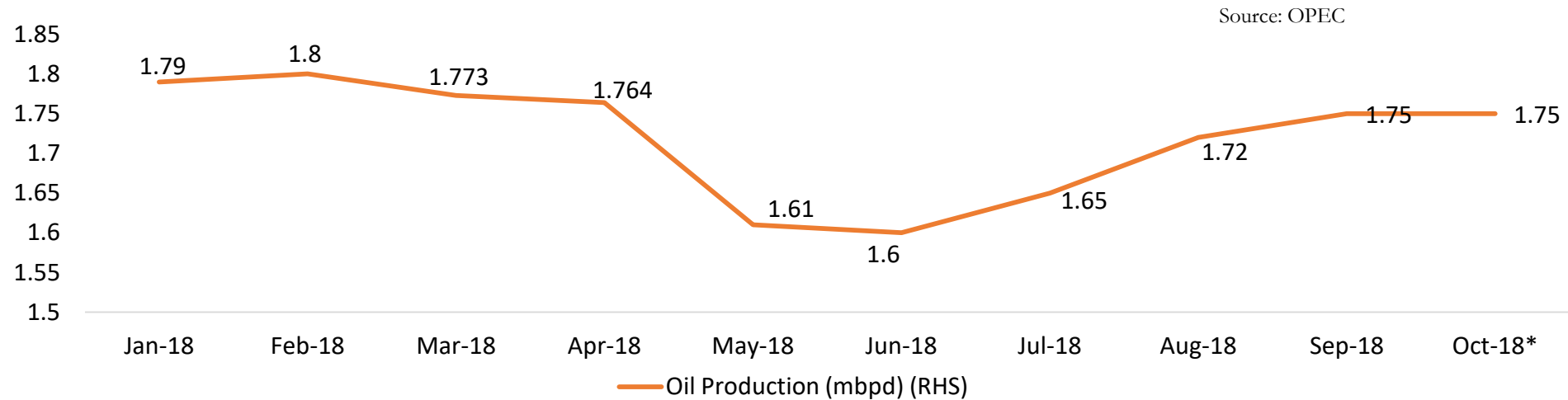
Power Sector News

- ❑ FGN needs \$1trn to upgrade energy infrastructure
- ❑ NERC proposes cap on estimated billing charges to mitigate exorbitant charges by Discos
- ❑ Nigeria's thermal power stations remain underutilized due to uncompleted plants and gas constraints
- ❑ Minister of Power, Babatunde Fashola, projects generating capacity in excess of 9,000MW by 2020
- ❑ FGN plans to add 4,200MW to the national grid within 12 months

Impact

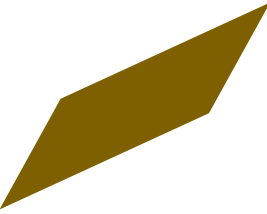
- ❑ Increased investments in the power sector needed for improved power generation
- ❑ Positive for businesses and households

Oil Production Outlook: 1.75-1.8mbpd in October



- Nigeria is more oil production sensitive than price sensitive
- Oil production expected to remain stable in the coming months
- Between 1.75-1.8mbpd in October
- Minimal force majeure and disruptions to pipelines ahead of 2019 elections

What if- Niger Delta Militant Strikes?



Impact

- ❑ Oil production would fall below 1.5mbpd
- ❑ Negative for:
 - ❑ Oil proceeds
 - ❑ External reserves
- ❑ Would limit CBN's ability to defend the naira

What if- Oil Prices Fall?

- ❑ If Brent falls below \$40pb

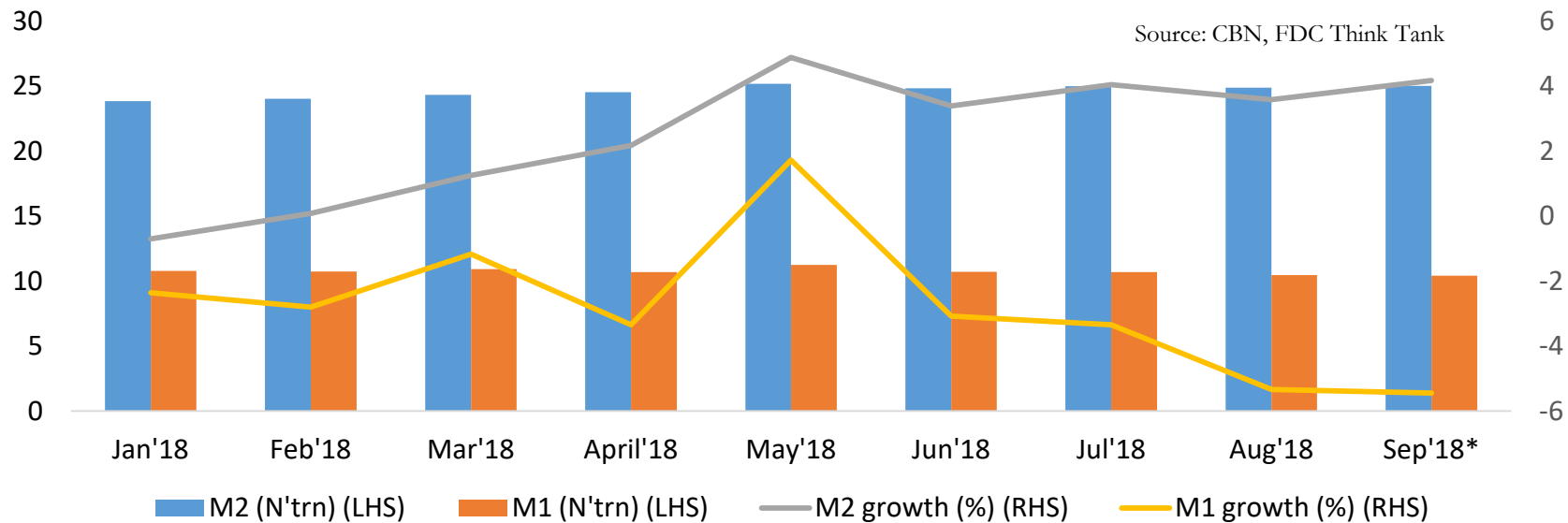
Impact

- ❑ Decline in FAAC disbursements leading to salary arrears across states and reduced consumer confidence
- ❑ Reduced government spending on infrastructure
- ❑ Reserves will erode to \$25bn
- ❑ Deficit will rise sharply to over N3.5trn
- ❑ Price of petrol will fall below N145/liter
- ❑ Naira will crash to N410/\$

Domestic Economy – Monetary Stability



Money Supply Outlook: N25trn in September



❑ M2 up 3.58% (annualized) to N24.86trn in August

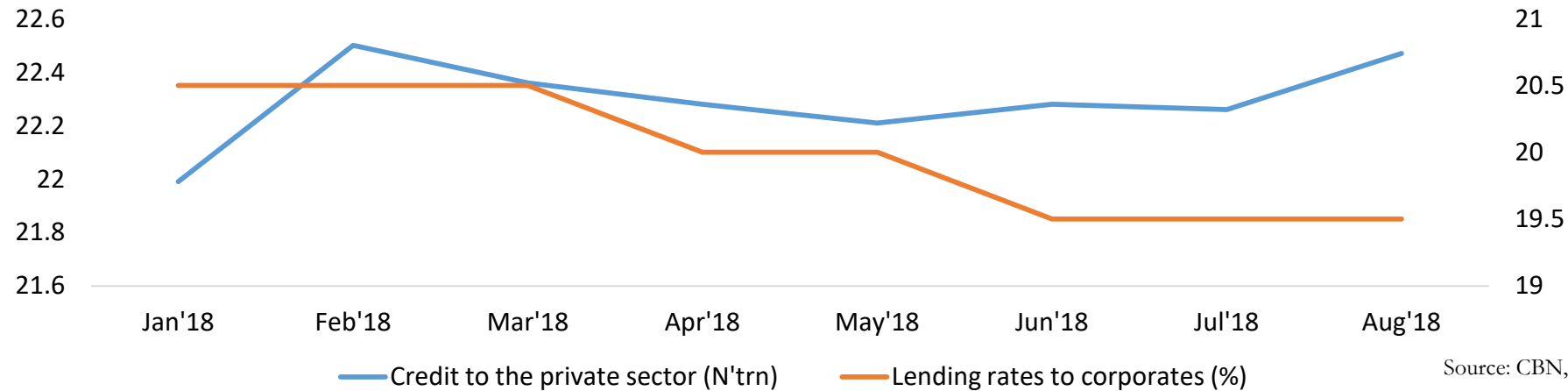
❑ Below CBN's target of 10.48% in 2018

❑ Likely drivers of M2 growth: election spending and 2018 budget disbursements

❑ Expected to inch up further in September to N25trn

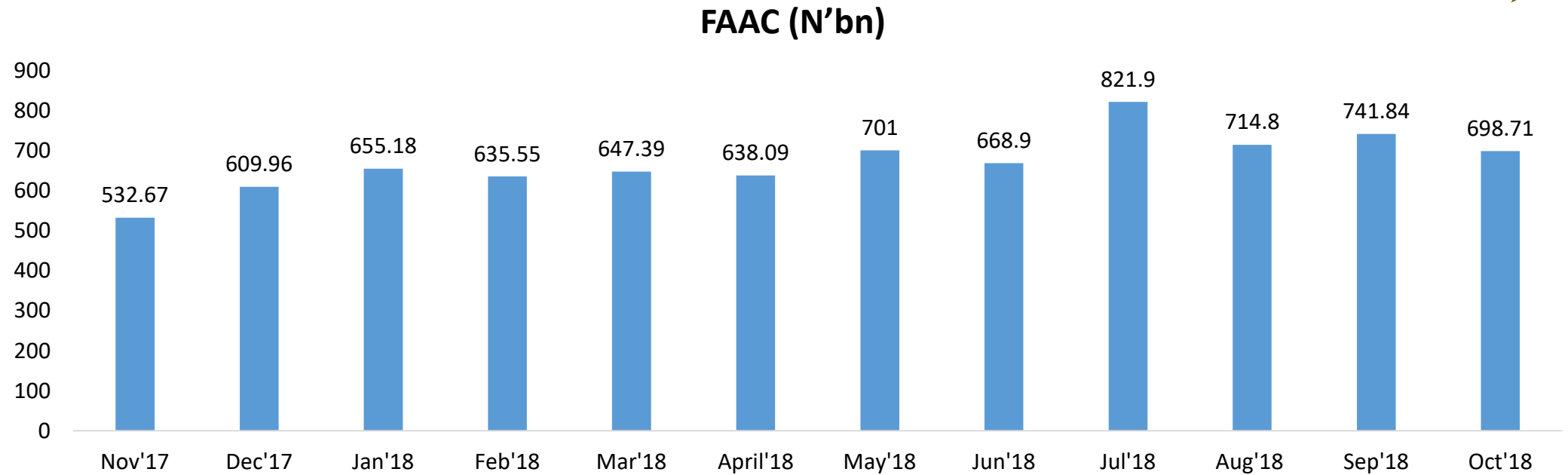
Credit to Private Sector & Lending Rates

Credit to private sector vs lending rate



- ❑ Credit to the private sector inched up to N22.47trn in August
- ❑ Lending rates to corporates declined to approximately 20% pa
 - ❑ Now back up to 23% in November
- ❑ Likely driven by government intervention and CBN's incentivization scheme

FAAC Down, Despite Higher Oil Price



- FAAC down 5.8% to N698.71bn in October despite oil prices climbing to a 4-year high
- FAAC disbursements expected to remain within the N650-700bn range

Inflation Outlook: 11.35% in October–13.5% in December

❑ Projected to inch up 0.07% to 11.35% in October

❑ Imminent risk to inflation is the likely minimum

wage review

❑ Increased minimum wage → increased naira

liquidity → higher headline inflation rate

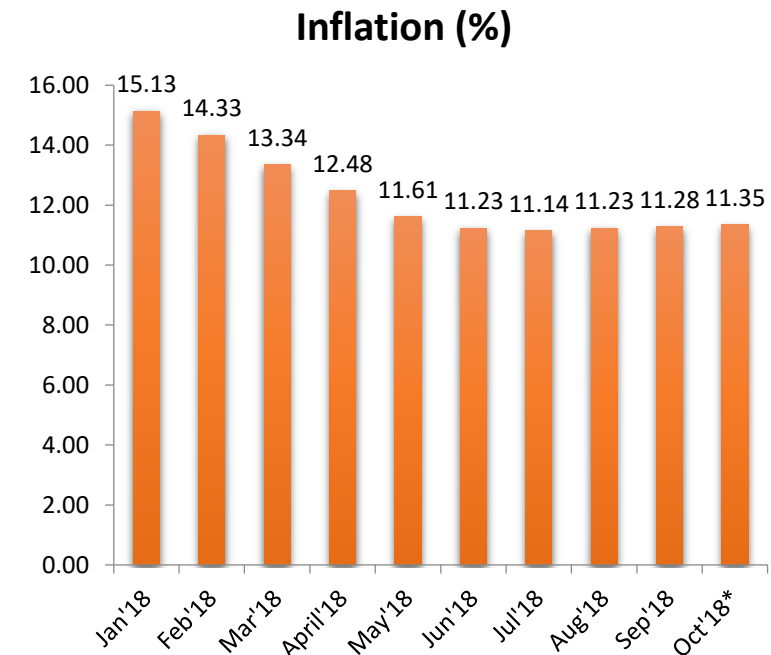
❑ Other risks to inflation:

❑ Increased election spending

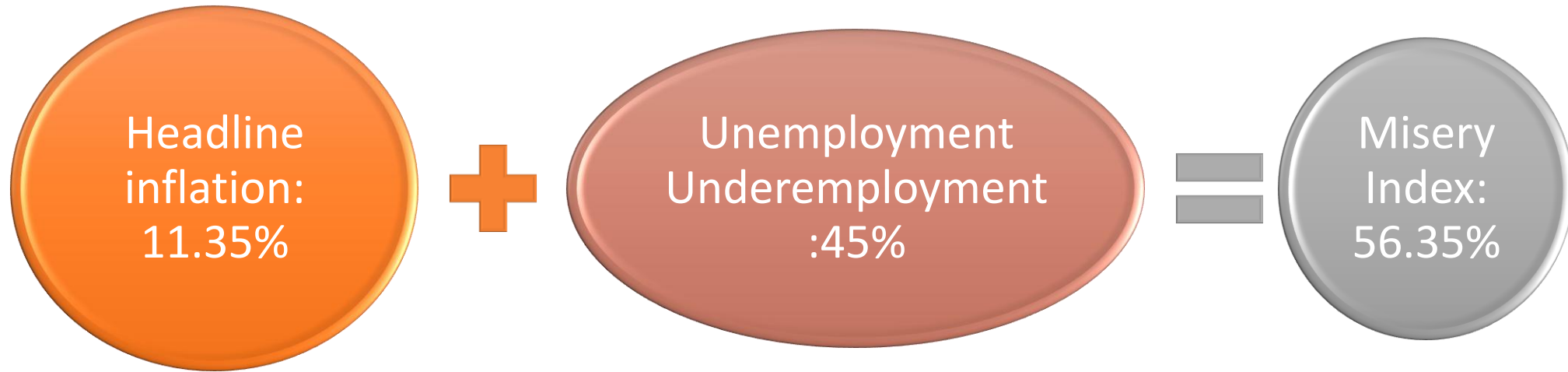
❑ Higher logistics cost (retail diesel price in Lagos

spikes to N250/litre)

Source: NBS, FDC Think Tank



What if- Inflation Spikes?



Impact

- ❑ Increased inflation reduces consumer disposable power
- ❑ Leading to a decline in consumer confidence
- ❑ Higher misery index results in increased criminal activities

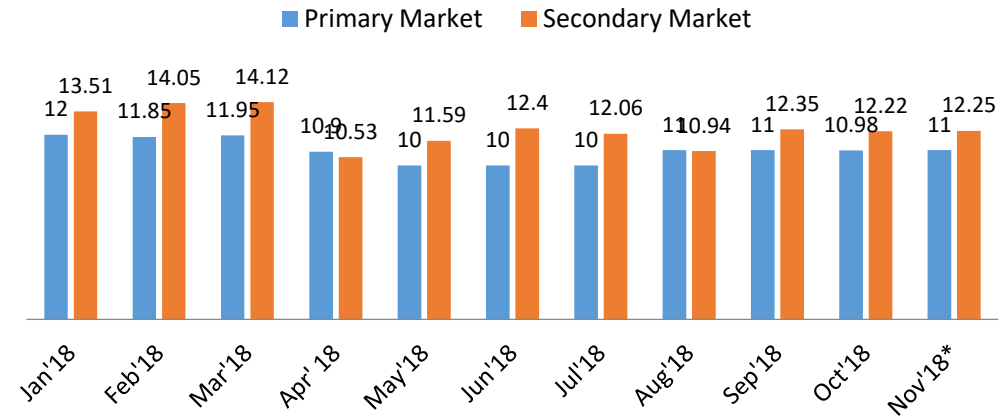
Treasury Bills – Amount on Offer & Rate Movement

- Amount offered in the primary market declined by 53.64% between Sept-Oct
- Sept-N318.45mn, Oct-N147.63mn
- Explaining the increase in 182-day and 364-day rates



Tenor	Primary market rates (September 28 th) (%)	Primary market rates (October 31 st) (%)
91-day	11.00	10.98 ↓
182-day	12.20	13.49 ↑
364-day	13.48	14.40 ↑

91-Day T/Bills (%)



Source: FMDQ, FDC Think Tank

Tenor	NITTY rates (September 28 th) (%)	NITTY rates (October 31 st) (%)
30-day	12.4	11.67 ↓
90-day	12.51	12.65 ↑
180-day	13.21	13.19 ↓



Any payment.
Any time. Any place.

More Possibilities

EcobankPay makes it easy to make any payment, any time, any place.

From buying food in a restaurant to buying groceries in store using QR codes on your mobile, it's so convenient!



Also available through
Facebook Messenger

EcobankPay is on
Ecobank on

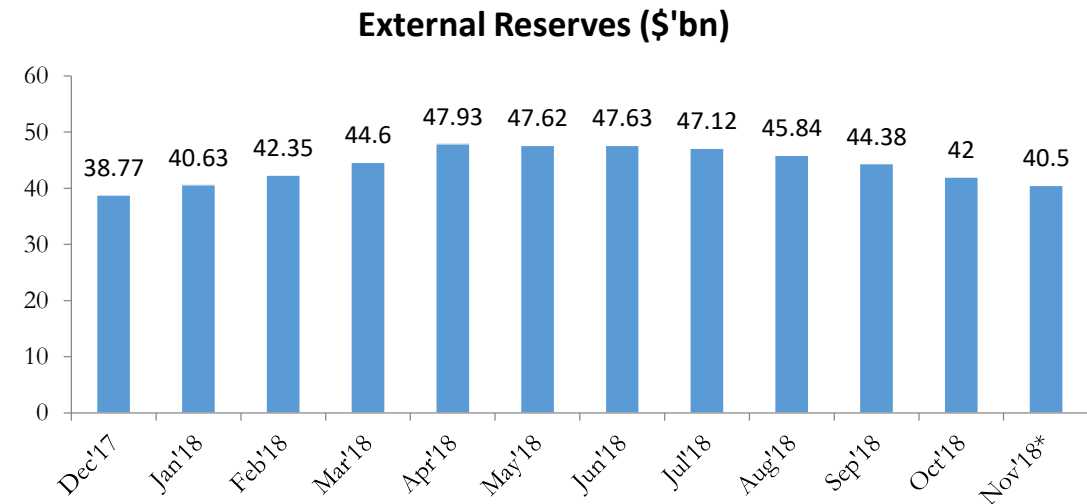
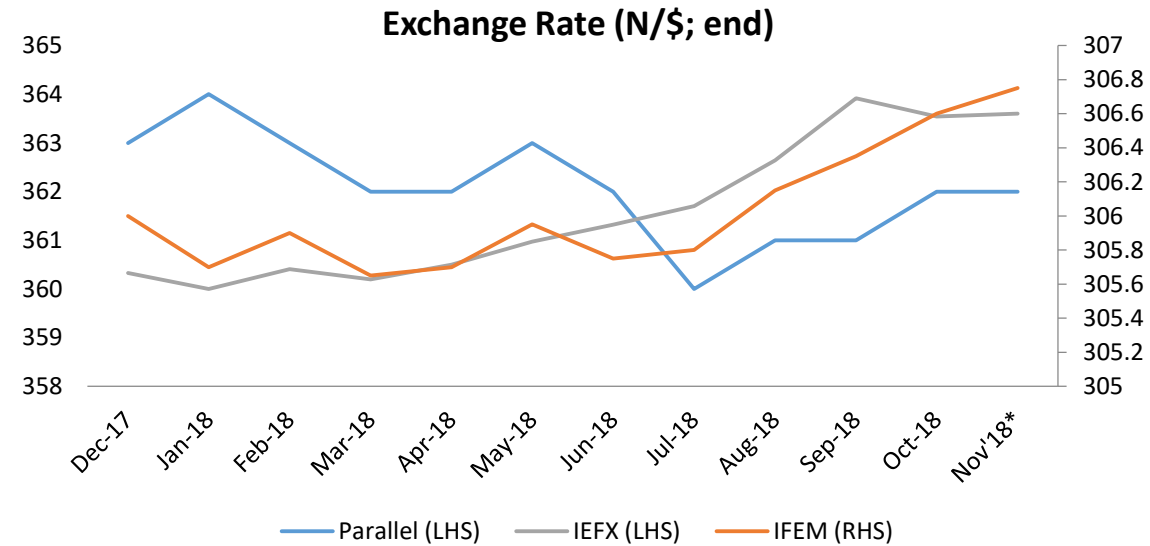


*External Imbalances
Increasing Outflows & Higher
Borrowings*

Forex Market Outlook-N362/\$ at Parallel Market

- ❑ Rigidities and defective structure
- ❑ Exchange rate to remain stable ahead of 2019 election
- ❑ As CBN prioritizes naira stability over buoyant reserves
- ❑ External reserves could decline to \$38bn by December despite Eurobond proceeds
- ❑ PPP rate now N336/\$ less political risk premium
- ❑ IE put options at N365/\$
- ❑ External reserves to external debt ratio is deteriorating

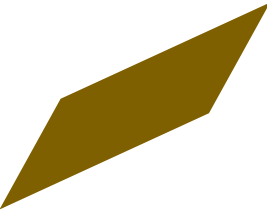
Source: FMDQ, CBN, FDC Think Tank





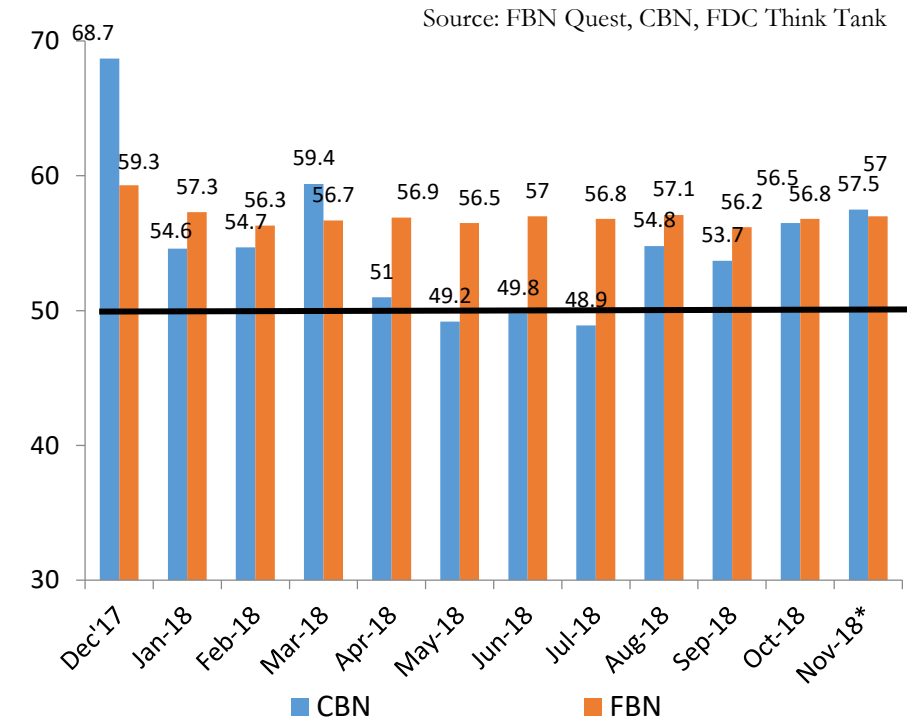


Market Proxies

October PMI up 5% to 56.5 (7-Month High)



Purchasing Mangers Index	September	October
FBN	53.7	56.5 
CBN	56.2	56.8 



- ❑ Reflective of improved activities in the manufacturing sector
- ❑ Could increase the growth rate within the sector (0.68% in Q2'18)

Ships Awaiting Berth

- ❑ Up 18.52% in October
 - ❑ From 27 to 32 (Lagos Port)
- ❑ Letters of credit availability and trade finance facilities
- ❑ Closure of UBS and HSBC means lines of credit drying up
- ❑ Christmas orders and election hedging imports
- ❑ Reflective of higher smuggling levels



E-Payments Transactions Plunges

Volume of transactions in Sept' 18
relative to Aug' 18

- ❑ Cheques ↓ 2.88%
- ❑ PoS ↓ 1.05%
- ❑ NEFT ↓ 34.99%
- ❑ NIP ↓ 1.15%

Value of transactions in Sept' 18
relative to Aug' 18

- ❑ Cheques ↓ 6.49%
- ❑ PoS ↓ 2.26%
- ❑ NEFT ↓ 21.63%
- ❑ NIP ↓ 2.91%













❑ Likely reasons for decline:

- ❑ Network infrastructure issues (9Mobile acquisition challenge, MTN listing saga)
- ❑ Decline in consumer confidence and purchasing power
- ❑ Would lead to a lower velocity of circulation



Commodities

Commodities Outlook and Nigeria

Export Commodities	October %Change (Sept-Oct)			Import Commodities	October %Change (Sept-Oct)		
Oil (\$/b) 	80.43	2.06%		Wheat (\$/bushel) 	5.11	-0.97%	
Liquefied Natural Gas (\$/mmbtu) 	3.21	10.69%		Sugar (\$/pounds) 	13.26	16.21%	
Cocoa (\$/mt) 	2,149	-3.76%		Rice (\$/cwt) 	10.86	5.23%	

□ Diaspora flows are estimated at \$21 bn

□ Weaker sterling at \$1.29/GBP affecting Nigeria's Diaspora flows



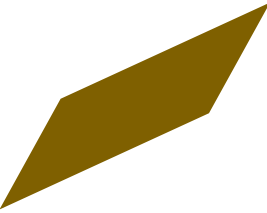
*Export
Commodities*



Oil & Gas Market Outlook

- ❑ Average Brent price rose 2.06%, in anticipation of the US sanctions on Iran
- ❑ Average LNG price spiked 10.69% in October, on strong US winter demand
- ❑ Venezuela vulnerable to domestic problems will stall supplies to markets
- ❑ OPEC meeting December 3rd likely to keep quota and keep prices below \$72pb
- ❑ Nigerian revenues averaging approx \$4.2bn per month
- ❑ Help replenish reserves or stop the haemorrhage

Oil & Gas Market Outlook



Impact

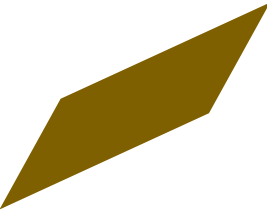
- ❑ Oil & gas accounts for approximately 92% of Nigeria's total exports (\$48.2bn)
- ❑ Higher earnings positive for government revenues, reserves and naira stability



Outlook

- ❑ Brent is currently trading at \$72.77, to remain within a range of \$70-75pb
- ❑ LNG price to remain elevated in November on US winter demand

Export Commodities



Cocoa

- ❑ Prices fell by 3.76% in October from September
- ❑ Partly due to reports of favorable weather conditions in Ivory Coast
- ❑ Ivory Coast harvest projected at 1.2m tonnes



Impact

- ❑ Cocoa accounts for approximately 1% of Nigeria's total exports
- ❑ Impacts of lower cocoa revenues to be offset by robust oil & gas earnings

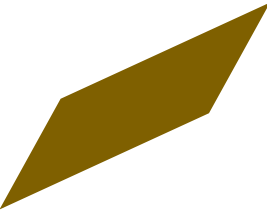
Outlook

- ❑ Cocoa price has increased in November to trade at \$2,335/mt
- ❑ Price to remain high in the near term on weak Ivory Coast's cocoa exports



*Import
Commodities*

Import Commodities



Wheat

- ❑ Price slid 0.97% in October
- ❑ Pressured by robust output from the Black Sea region and China
- ❑ Bumper production in Russia also weighed on prices



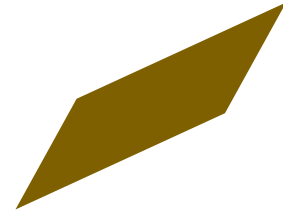
Impacts

- ❑ Higher cost of raw materials for users such as FMN and DANGFLOUR
- ❑ A 50kg bag of flour was flat at N11,100 in October

Outlook

- ❑ A global supply glut of wheat is probable in November given strong output from top producers
- ❑ Could depress prices further

Import Commodities



Sugar

- ❑ Sugar prices increased sharply by 16.21% in October
- ❑ Driven by a strong global demand
- ❑ Also partly due to a stronger US dollar



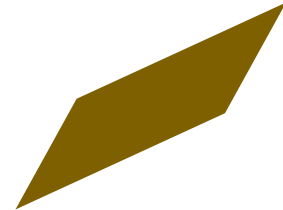
Impact

- ❑ A 50 kg bag of sugar rose 1.3% to N15,100 in October
- ❑ DANGSUGAR's profit fell by 37% in 9M'18, share price ↓ 2.8% in October

Outlook

- ❑ Sugar prices will likely decline in November due to profit taking
- ❑ Sugar markets will also remain cautious of the health risks associated with sugar consumption

Import Commodities



Rice

- ❑ Global price of rice increased by 5.23% on the average in October
- ❑ Global demand for rice futures gained momentum in October in anticipation of strong festive demand in December
- ❑ Domestic price of a 50kg bag of rice (Caprice) was flat at N15,500

Outlook

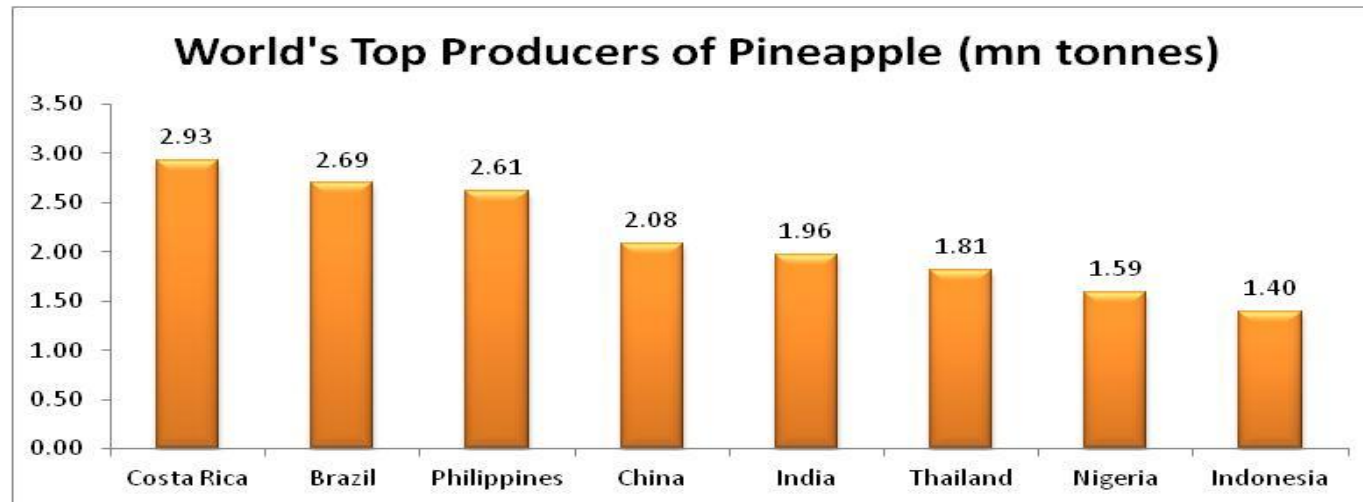
- ❑ Global demand expected to remain price supportive
- ❑ Domestic price to increase in November on strong festive demand



Commodity In Focus
Pineapple

Facts about Pineapples

- ❑ **Total global production:** 25.8mn tonnes (\$31.22bn), down 0.4% from 2015
- ❑ Global production fell by 0.4% from 2015
- ❑ **World's top producers:** 🇨🇷 Costa Rica, 🇧🇷 Brazil, 🇵🇭 Philippines
- ❑ **World's top consumers:** 🇧🇷 Brazil, 🇵🇭 Philippines, 🇨🇳 China
- ❑ **Uses:** fruit, fruit salad, juice, smoothies, cocktails, ice cream, skin care
- ❑ **Risks:** High sugar and acidic content, high storage costs

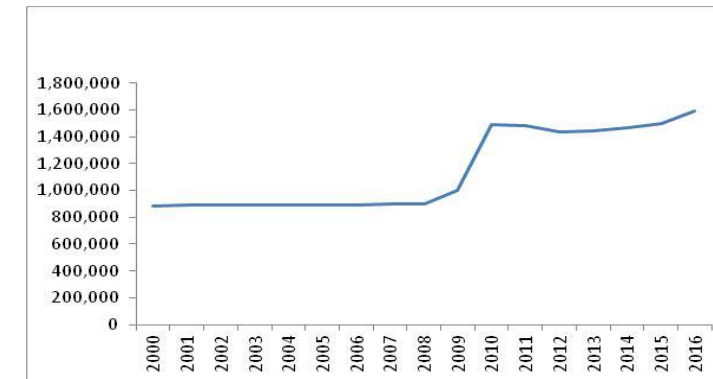


Source: FAOSTAT, FDC Think Tank

Pineapple Production in Nigeria

- **Output (2016):** 1.59mn tonnes (\$1.92bn) : 6.2% of global
- Output rose 6.7% over 2015
- **Production rank:** Global – 7th, SSA- 1st

Nigeria's Annual Pineapple Output Trend (tonnes)



- **Major producing states:** Cross River, Edo, Akwa Ibom, Benue, Enugu

- Mainly consumed by households, restaurants and non-listed companies
- **Users:** Chi, Coca-Cola (5 Alive), Fumman, Dansa

Business Opportunities

- ❑ Pineapples are mostly grown in states with less incidence of insecurity making pineapple cultivation relatively viable
- ❑ Users currently import concentrates creating exposure to exchange rate volatilities
- ❑ Users are attempting to mitigate this exposure through raising local contents and backward integration
- ❑ Highlights an investment opportunity in pineapple processing

Introducing...



**BEST VALUE
FOR MONEY
BY FAR**

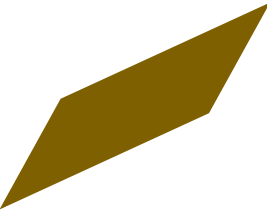
**UP TO 50%
STRONGER
AFTER 1 DAY**

**THE KING
OF CEMENT**
IDEAL FOR ALL
BLOCK & CONCRETE
APPLICATIONS



Stock Market Review

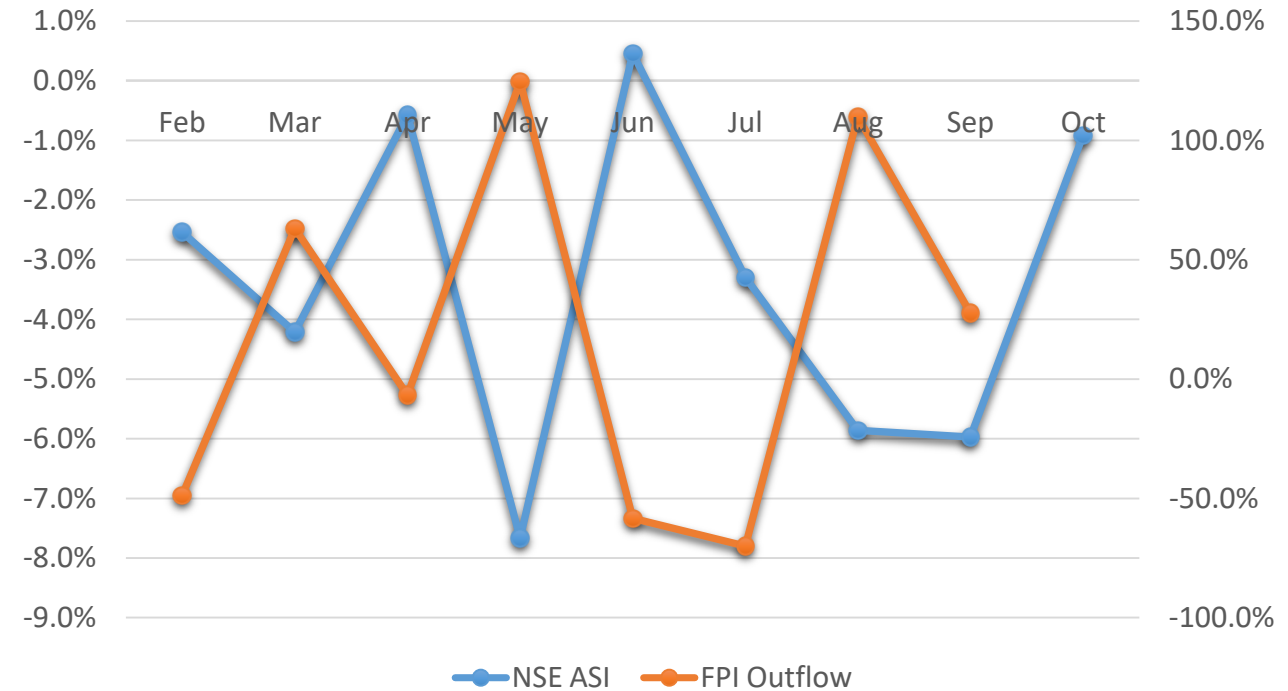
Stock Market Performance vs FPI Outflow





- ❑ Strong negative correlation between the ASI and FPI outflow
- ❑ FPI outflow steepest between July and August
- ❑ Exacerbated by MTN sanction



ASI vs FPI Outflow



Nigerian Stock Market in October

- ❑ Political uncertainty continues to weigh on investor confidence
- ❑ Market cap  0.92% (N110bn) to N11.85trn
- ❑ NSE ASI  0.92% to 32,2466.27 points
- ❑ 11 days positive, 11 days negative
- ❑ P/E ratio down 1.82% to 9.7x



Peer Comparison

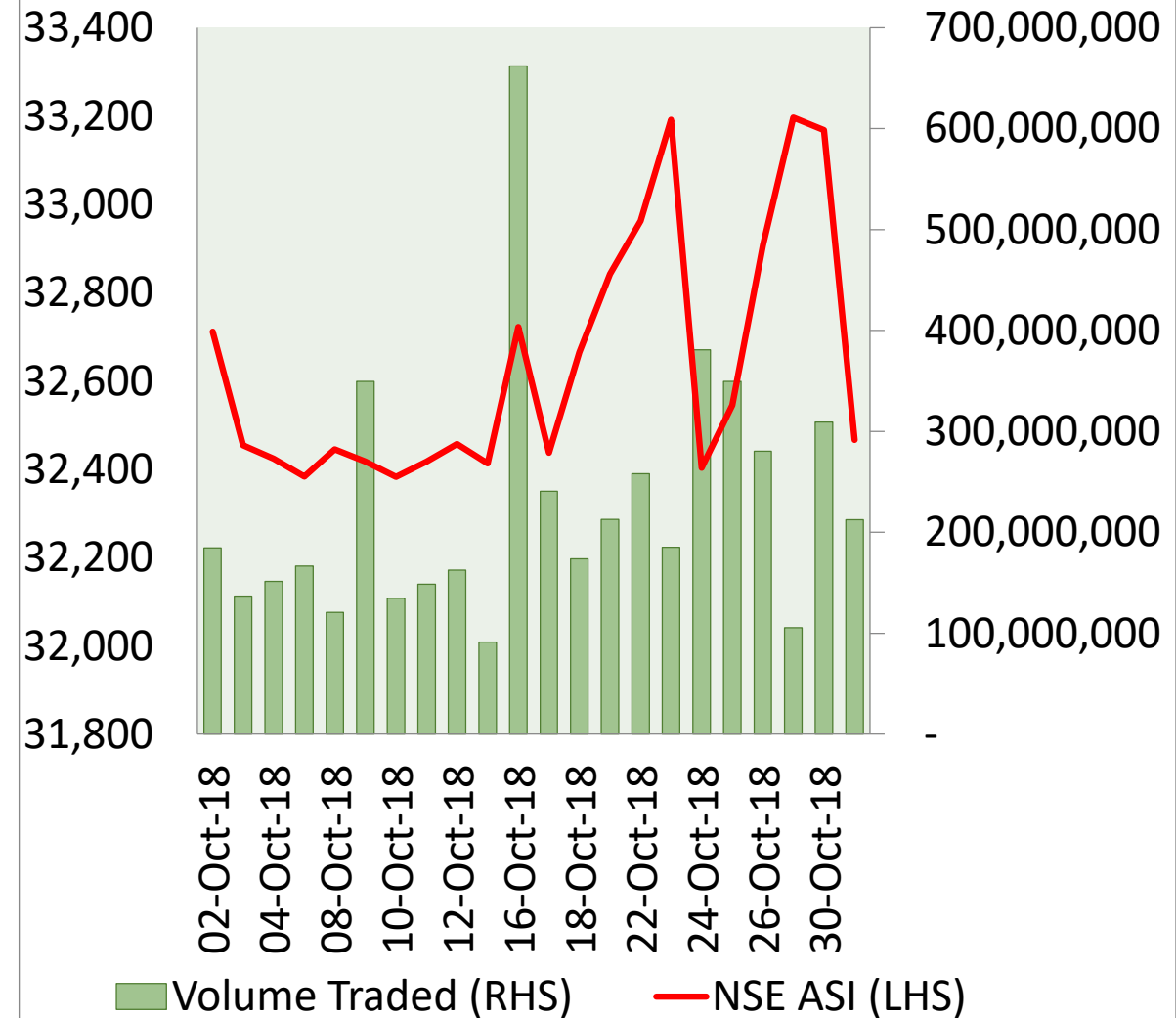
Exchange	October Return	YTD Return	Driver
NSE ASI	-0.92%	-15.11%	Rising political uncertainty
JSE ASI	-2.58%	-8.80%	Weak macroeconomic fundamentals
GSE ASI	-5.07%	6.08%	Investor profit taking

Stock Market in October

- ▣ Average volume traded ↑ 10.14%
to 228mn units
- ▣ Average value of transaction ↓
15.34% to N2.76bn
- ▣ Negative market breadth of 0.50x
- ▣ 66 stocks lost, 70 remained neutral
and 33 gained



NSE Performance

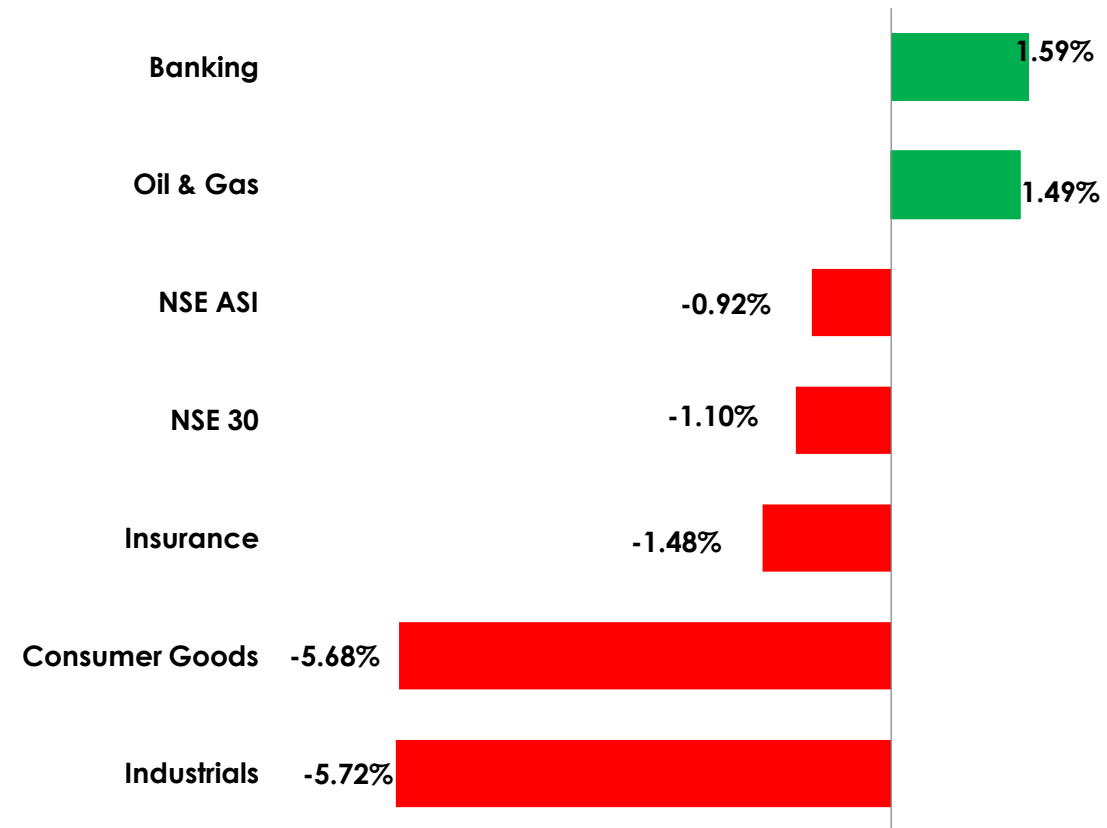


Most Sectoral Indices in Red

- Most sub-indices were in the red
- The banking sub-index performed the best - gained (1.34%)
- Driven by gains recorded by Fidelity (20%), Diamond (19.49%), Zenith (9.3%)
- Industrial sector recorded the worst performance – lost 5.72% by First Aluminium (-19.51%), Lafarge (-21.17%)



Sector performance



Corporate Earnings – Expectations of Q3 '18



Banking Industry- 9M'18 – Higher Volume, Low Margins

	FBN	GTB	Zenith	Access
Gross Earnings	↑ 0.5%- 441.5bn	↑ 8% - N337bn	↓ 11% - N474bn	↑ 11%- N272bn
Interest Income	↓ 5.2%- N337.6bn	↓ 10% - N171bn	↑ 13% - N229bn	↓ 2%- N120bn
Profit Before Tax	↓ 7.4 %-N51.3bn	↑ 9% - N164bn	↑ 10% - N167bn	↓ 4%- N70 bn
Impairment	↓ 21.9%- N76.2bn	↓ 380% - N2bn	↓ 70% - N14bn	↓ 35%- N8bn
Dividend Yield	3.13%	7.2%	11.7%	8.23%
Oct Return - ASI	-9.18%	3.52%	10.22%	-2.18%
Oct Return – Banking Index	-11.69%	1.01%	7.71%	-4.69%
P/E Ratio	7.2x	5.9x	3.83x	3.34x

- 9M'18 profitability driven by lower impairment cost and increase in non-interest income
- GTB and Zenith shares outperformed both ASI and banking index
- Banking stocks attractively priced relative other emerging market based on ROE and dividend yield

FMCG Performance 9M'18

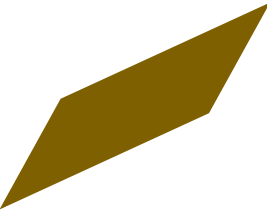
	Flour Mills (H1'18)	Honeywell (H1'18)	Guinness (Q1'18)	Nigerian Breweries (9M'18)
Revenue	↓ 10%-N270bn	↓ 7% - N36bn	↓ 6% - N28bn	↓ 6%- N255bn
Profit Before Tax	↓ 38%- N8bn	↓ 91% - N223mn	↑ 2,868%- N1.23bn	↓ 35%- N22.47bn
Free Cash Flow	↓ 51%- N30.81bn	↓ 75% - N1.14bn	↑ 53% - (N2.95bn)	↓ 164%- (N6.68bn)
EPS	↓ 61%- N1.25	↓ 90% - N2.81	↑ 1,167% - N0.38	↓ 99%- N1.85
Oct Return - ASI	-7.83%	-25.28%	-7.83%	-4.27
Oct Return – Industry Index	-3.07%	-20.52%	-3.07%	-4.27%
P/E Ratio	5.84x	1.97x	19.87x	27.12x

- ❑ Lower volume, lower margins and higher cost
- ❑ Price war due to intense rivalry
- ❑ Exacerbated by logistics constraints
 - ❑ Apapa gridlock
- ❑ All four companies underperformed the ASI and Industry index

Market Integrity

- ❑ Regulators committed to improve and protect the market
- ❑ For a highly liquid and transparent market
- ❑ Characterized with inefficiency
- ❑ Presents opportunity for speculative investors
- ❑ Able to identify over and under valued stocks

Outlook For November



- ❑ Market to be dominated by political activity
- ❑ FPI outflow to intensify
 - ❑ As Fed suggests positive interest rate surprise
- ❑ Awaiting outcome of the MTN saga
- ❑ Bourse likely to plunge further if MPR is increased in the next committee meeting
 - ❑ Exerting pressure on small capitalized companies to delist

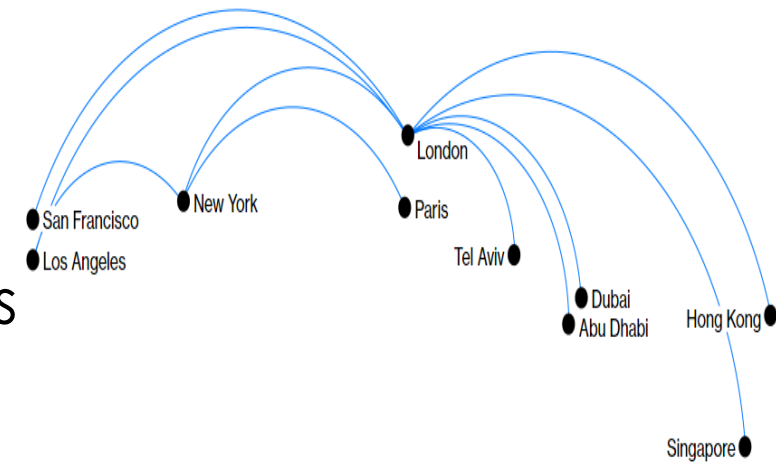


Aviation Update

Demand for First Class Premium Traffic Sharply Higher

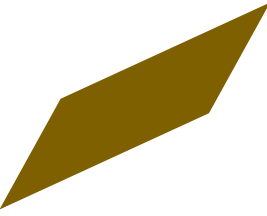
- ❑ Bookings on first class cabins fell sharply during the 2008 financial crisis
- ❑ Demand is slowing picking up and carriers are gradually revamping their first class cabins
- ❑ Difference between first and business class cabins has become inconsequential
- ❑ Singapore Airlines is offering 6 first class suites (instead of 12 on older planes)
- ❑ Lufthansa has reduced first class seats on its 777 aircraft to 4 (from 8)

World's Busiest Routes for First-Class Travel



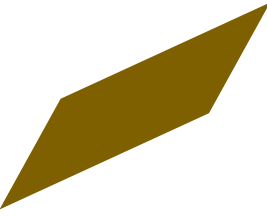
Data: ICF

First Class Cabin Demand-Domestic



- ❑ Only two airlines have first class cabins in Nigeria: Emirates and British Airways, two of Nigeria's high-capacity airlines
- ❑ Growth of first class demand moves in tandem with economic growth
- ❑ Less demand by politicians owing to anti-corruption war of present administration
- ❑ Less money in circulation as the impact of 2015/2016 recession lingers
- ❑ Nigeria's passenger traffic (7.5mn) lagging behind passenger traffic in other countries: USA (104mn), China (96mn) and Dubai (88mn)

Aviation Update-IATA



- ❑ Global airline share prices fell by 1% in September following two consecutive months of gains
- ❑ Oil and jet fuel prices increased significantly
 - ❑ Jet fuel price averaged more than \$90pb
- ❑ Premium-class passengers accounted for 5.2% of total O-D traffic (Jan-Jul)
- ❑ Passenger demand remains solid into the peak season

Aviation Update-Regional

Load Factor across airlines

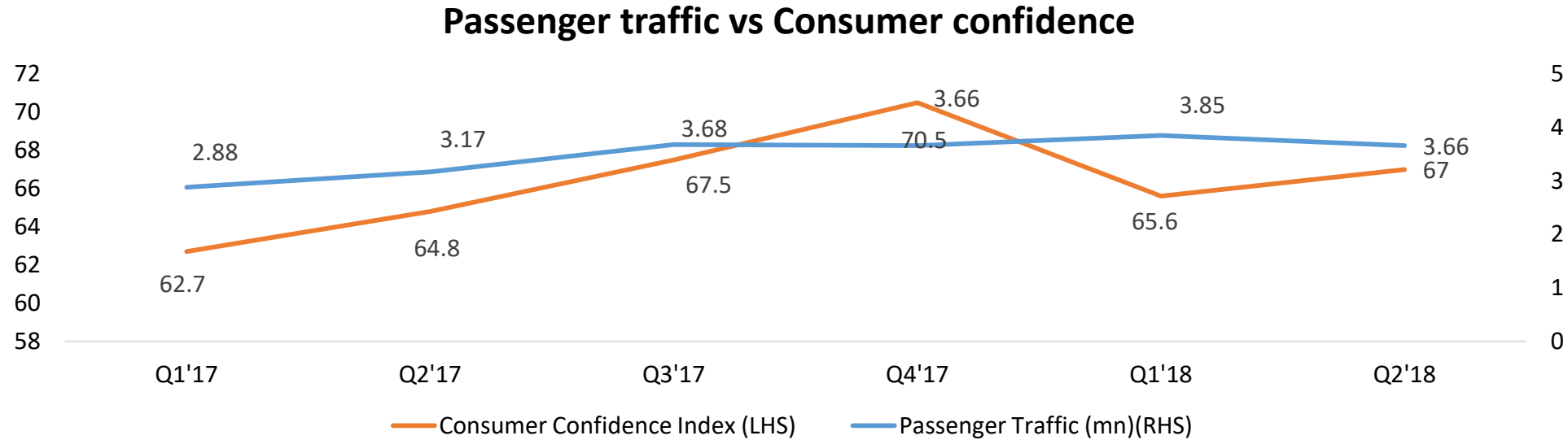
Airline	Load Factor (%)	Comment
South African Airways	78-82	Owing to peak summer season
Delta Airways	80	Full capacity in its e conomy cabin
Lufthansa	90	-

- ❑ Asky dominating regional aviation space
- ❑ Running daily Abidjan-Lagos flights
- ❑ RwandAir's load factor is dwindling due to maintenance operations on two of its aircrafts
- ❑ Kenya Airways offering discount prices on Lagos-New York (\$300)
- ❑ Launches Nairobi-New York route

Aviation Update-Domestic

- ❑ Air Peace is currently overstretched in operations; affecting its on-time performance
- ❑ Compared to Arik, which is rationalizing its infrastructure and operations
- ❑ Bristow down to two (out of three) aircrafts leading to scheduling issues
 - ❑ Reduced its flights to two per day, three days a week (Mon, Wed, Fri)
- ❑ Update on national carrier project (Nigeria Air) on November 8th
- ❑ Forex remains available for airlines
- ❑ No IATA backlog

Relationship between Passenger Traffic & Consumer Confidence



- ❑ Typically passenger traffic and consumer confidence should move in the same direction
- ❑ Passenger growth rate in Nigeria (5.19%)

Real Estate Update Hope Rising for Developers



Vacancy Factor in Q4'18 down to 18%

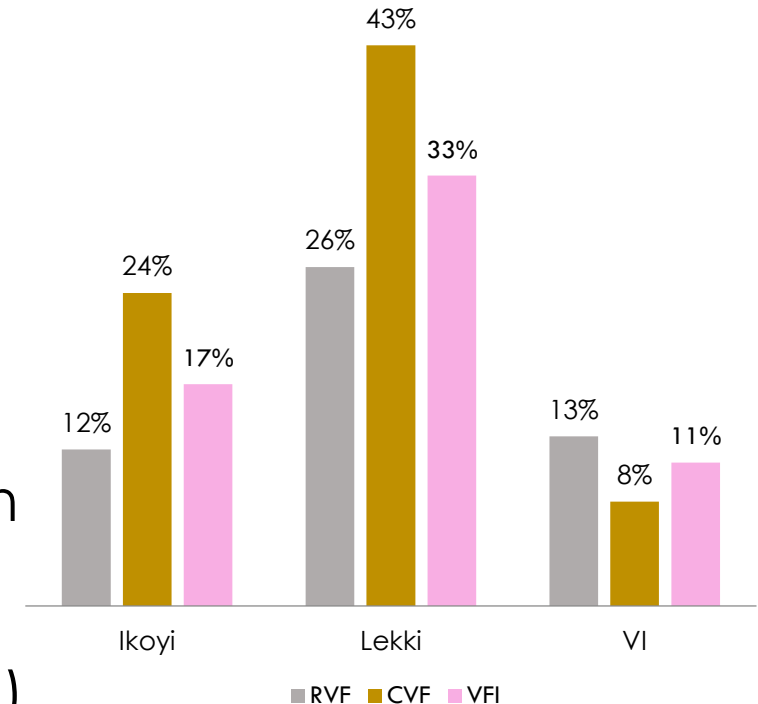
	Q1'18			Q4'18		
	RVF (%)	CVF (%)	VFI (%)	RVF (%)	CVF (%)	VFI (%)
Ikoyi	21	27	24	12	24	17
VI	17	6	13	13	8	11
Lekki	29	21	26	26	43	33
Total	23	21	22	16	22	18

- ❑ Vacancy Factor Index down 4% from 22% in Q1'18 to 18% in Q4'18
- ❑ Developers are refurbishing selected properties in the Island area
- ❑ Victoria Island and Ikoyi have a high amount of abandoned properties

Property Trends in Lagos

- **Ikoyi**- characterized by high-end residential properties
 - Block of flats account for over 70% of vacant properties
 - More houses are being renovated
- **Lekki**- Ultra modern buildings
 - Occupancy affected by toll fee, traffic congestion and poor drainage system
 - Rents remain relatively high (average N1mn-N2mn)
- **VI** – commercial hub
 - High asking rents continue to affect occupancy

Vacancy Map



*RVF: Residential Vacancy Factor; CVF: Commercial Vacancy Factor; VFI: Vacancy Factor Index

Outlook

- ❑ Growth rate of the sector may improve marginally in Q3'18 (from -3.88% in Q2'18)
 - ❑ Will likely remain in the negative territory
- ❑ Security and price to remain key considerations for buyers
- ❑ Changing consumer patterns to reflect in retail developments
- ❑ Dwindling consumer purchasing power will reduce the demand for luxurious properties

Convenient Forex Transfers From Your Phone

Transact from your domiciliary account
anytime, anywhere in the world with
Fidelity Online Banking (Web & App)



We Are Fidelity. We Keep Our Word.

Available for download:



Contact Us: +234(1)448-5252, +234 8003-433-5489 true.serve@fidelitybank.ng

WAYS TO BANK WITH US



Fidelity Bank Plc



www.fidelitybank.ng



Policy Update

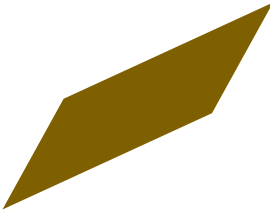
Fiscal: Minimum Wage & Debt Crunch

- ❑ Nationwide strike in limbo, following an agreement by the tripartite committee
- ❑ Labor union is seeking a new minimum wage of N30,000
 - ❑ 67% above the current wage of N18,000
- ❑ Rate of increase to narrow as you move up the pyramid
- ❑ Higher minimum wage will boost naira liquidity and consumer disposable income
- ❑ Increased money supply will mount inflationary pressures
- ❑ Headline inflation expected to jump to 13.2% after wage review and money supply growth
- ❑ Impact of increased naira liquidity on inflation will be a front burner issue at the MPC meeting this month

Monetary: MPC Outlook

- ❑ MPC to meet on November 19/20
- ❑ Key considerations are:
 - ❑ US Fed rate hike in December and the likely impact on capital flows
 - ❑ Increasing inflationary pressures
 - ❑ Sanitization of contractor debt
 - ❑ Pre-election spending and FAAC disbursements
 - ❑ Sustained external reserves depletion
 - ❑ Increased forex demand as manufacturers have commenced inventory build-ups ahead of festive sales
- ❑ Q3'18 GDP growth and Unemployment numbers to be released after the meeting

Debt



- ❑ DMO issued promissory notes in favor of contractors and oil marketers
- ❑ A 10-year tenure debt instrument
- ❑ Approximately N288bn was issued to oil marketers
- ❑ Meanwhile, a sum of N483bn was issued to contractors
- ❑ Creditors are left with the option of waiting to cash out at maturity or presenting at the bank at a discounted rate
- ❑ Both come with pros and cons

Debt

Option A: Cash out at maturity

Pros:

- ❑ Could help curtail inflationary pressures

Cons:

- ❑ Increase interest service burden on loans borrowed from banks

Option B: Present at the bank at a discounted rate

Pros:

- ❑ Would increase contractor's ability to pay-off loans obtained from banks
- ❑ Reduce non-performing loans (NPLs) of banks

Cons:

- ❑ Increase money in circulation
- ❑ Heightening inflationary pressures

Trade: African Continental Free Trade Agreement (AFCTA)

- ❑ African Continental Free Trade Agreement allows free movement of goods, services and businesses across Africa
- ❑ Long term objective of establishing a custom union
- ❑ Uganda's cabinet has approved the ratification of AFCTA
- ❑ Kick-starting a process to join Rwanda, Kenya, etc
- ❑ So far, six countries have ratified their document : Rwanda, Kenya, Niger, Ghana, Chad and Swaziland
- ❑ Nigeria is yet to sign the agreement

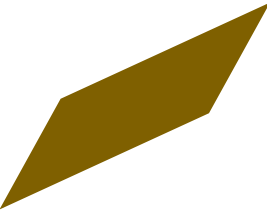
African Continental Free Trade Agreement (AFCTA)

- ❑ Countries with strong infrastructure (Kenya, SA) will benefit the most
- ❑ Provides an accessible market for made-in-Nigeria products and boosts foreign exchange earnings
- ❑ Private businesses will benefit from opportunity for expansion into other African markets
- ❑ Will increase competition for infant industries and encourage cost optimization and lower prices
- ❑ Agreement will encourage the development of an efficient inter-country transport system

Politics Update



Political Update & Dynamics



- ❑ From slam-dunk to cliff hangers
- ❑ Very early days tailwinds favor the opposition
- ❑ Buhari is seeking to halt Atiku's momentum
- ❑ Aggressively crisscrossing South West and South/South
- ❑ Opens up Seme border post, commissions Port Harcourt Airport
- ❑ Meeting with world leaders to get endorsements

Political Update & Dynamics

□ This is going to be a two horse race



Political Update & Dynamics

□ And many spoilers and other – runs



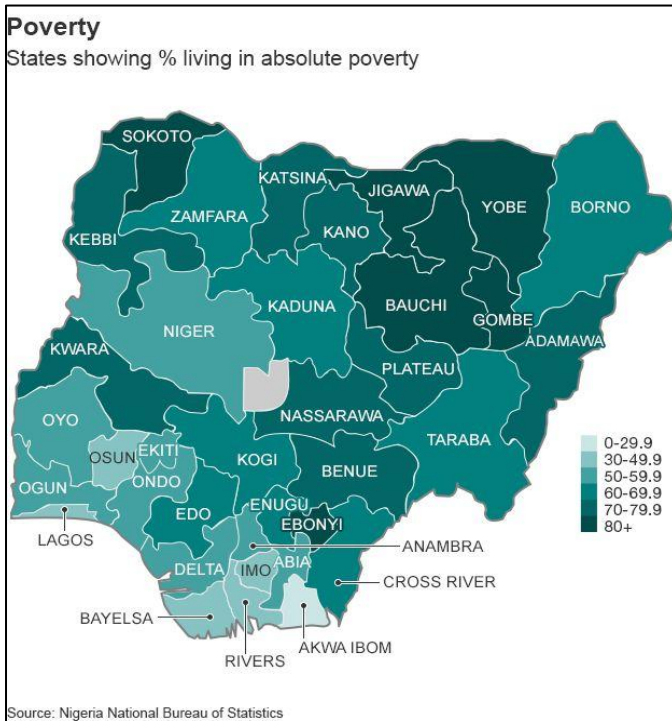
□ Demography not in favor of young candidates yet

Political Update & Dynamics

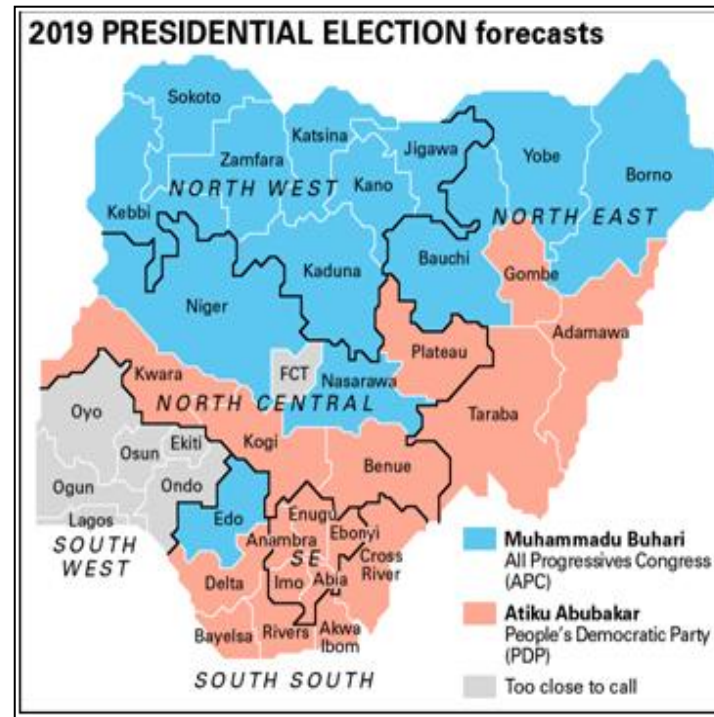
- ❑ The two leading parties and candidates have numerous strengths
- ❑ But mostly baggage: age, integrity, conflict of interest & disconnection
- ❑ The negative residual in excess of upside potential
- ❑ The APC has an incumbency advantage which may be slipping
- ❑ It controls the instrumentalities of office
 - ❑ Police, INEC, SSS, EFCC, Army & Intelligence
- ❑ The PDP have some state governors, invisible sympathizers & disgruntled APCs

Political Update & Dynamics

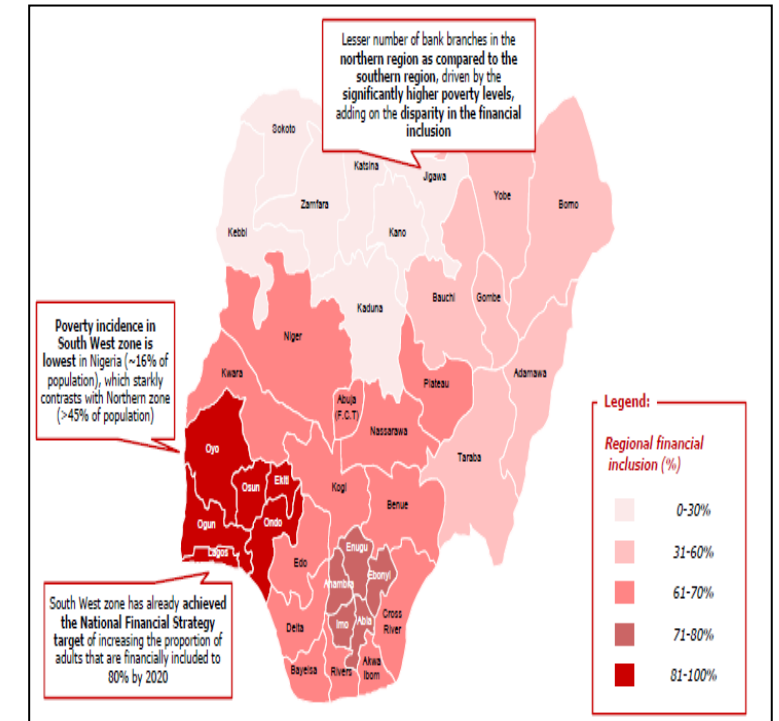
□ The political fault lines show some distinct features



Poverty Map

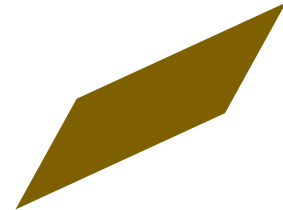


African Confidential



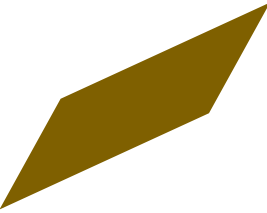
Bank Branches

Political Update & Dynamics



- ❑ Buhari and Atiku are both Muslims
- ❑ Buhari is lineage Fulani with a huge Talakawa emotional following
- ❑ Atiku is seen as pragmatic and transaction driven
- ❑ Atiku is a master organizer with a solid ground game
- ❑ Both candidates are past three score and ten (in their societies)
- ❑ Buhari is reserved, older and less energetic
- ❑ Atiku is more vigorous, aggressive with a high antenna for deals
- ❑ Both candidates have credible and authentic VPs

Political Update & Dynamics

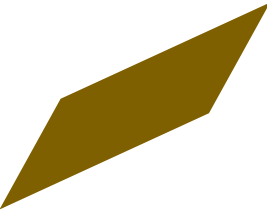


- ❑ Osinbajo, a highly cerebral law professor, Pentecostal pastor, married to an Awolowo descendent and has an enviable pedigree
- ❑ Peter Obi is a proud Catholic, highly understated and former governor
- ❑ Former bank Chairman, shrewd businessman and is highly regarded
- ❑ Both VPs have limited grassroots appeal
- ❑ Seen as elites with silver spoons
- ❑ Both have strong integrity credentials and managerial attributes

The Knowns, Unknowns & Imponderables

- ❑ Urbanization and the growing number and influence of non indigenes
- ❑ Over 40% of population in Lagos, Port Harcourt, Kano and Kaduna could make them swing states
- ❑ The impact of WhatsApp and social media and fake news
- ❑ The travails of the Kano dollar-gate could flip the state and make it competitive
- ❑ The Shiite Muslims, who are reputed to be unregistered and indifferent
- ❑ 20% of the citizens in the North West and may be energized by the Zazachy factor

The Knowns, Unknowns & Imponderables



- ❑ A judicial overturning of the Osun election and a changing momentum in the south west
- ❑ An inflationary surge due to the minimum wage settlement
- ❑ The deepening wounds of the incumbent governors in APC states
- ❑ The electoral map has changed dramatically
- ❑ Buhari is entrenched in the North West

The Knowns, Unknowns & Imponderables

- ❑ Buhari's hold in the North East is stronger but Atiku is chipping away
- ❑ North Central is a swing territory 50/50 but leaning Atiku
- ❑ South East & South South is leaning Atiku
- ❑ Everything will depend on the South West
- ❑ Two factors – young demography is against Buhari, religion is split even
- ❑ Non-indigenes are anti-Buhari
- ❑ In the South West where Atiku/Obi will need to work very hard

The Known, Unknowns & Imponderables

- ❑ The impact of Atiku's visit to the USA will help him on the integrity deficit
- ❑ Unemployment data adding to the inflation rise pushes up the Misery Index
- ❑ Three quarters of an increasing Misery Index will hurt the incumbent
- ❑ The current levers of control favor an incumbent scrape
- ❑ If the narrative centers around the outlook for the next four years, the incumbent will be on the ropes

Ability + Preparation + Focus
= **Perfect Execution.**

Advisory Services

Energy | Finance | Strategy



Navigate. Analyze. Deliver.

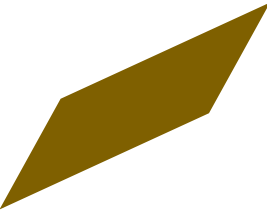
Find out more:

www.lavayo.com

A conceptual graphic featuring a road that narrows and leads to a glowing screen displaying a world map, all set against a blue sky with clouds.

Outlook for November

November/December Calendar

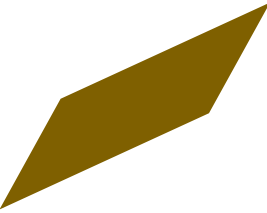


- ❑ MPC meeting –Nov 19/20
- ❑ Inflation (2x)- Nov 21, Dec 13
- ❑ OPEC meeting- Dec 6
- ❑ Labor Force Statistics (Q4'17 & Q1'18)-
Dec 7
- ❑ FOMC meeting- Dec 12/13
- ❑ Q3 GDP report- Dec 17

November & Year-end Outlook

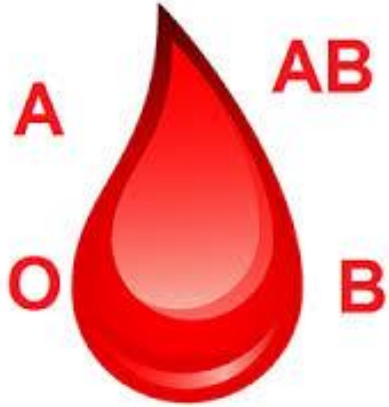
- ❑ Nigeria will raise \$2.8bn at 9%pa in the Eurobond market
- ❑ Headline inflation will inch up to 11.35%
- ❑ MPC will increase interest rates by 50bps to 14.5% pa
- ❑ External reserves will fall below \$40bn in November
- ❑ Corporate earnings will remain flat
- ❑ Stock market will decline further (4%-5%)
- ❑ GDP growth for Q3 will rise to 2.0% on stronger oil production
- ❑ Oil price will average \$70pb-\$74pb in November
- ❑ Oil production will stay at 1.8mbpd

November & Year-end Outlook



- ❑ Minimum wage will be passed into law
- ❑ NASS could throw a curve ball to Buhari by increasing it to N35,000
- ❑ OPEC will keep production quotas
- ❑ Atiku will make a song and dance in a US visit
- ❑ APC will split in Ogun, Imo, Zamfara & River
- ❑ Naira will trade horizontally at N362/\$ through November
- ❑ Buhari will kick-off campaign in South West & Lagos
- ❑ Atiku & Kwankwaso will lead the campaign in the North West

Corporate Humour



Let your motto be the same as
your blood type B positive
- *Cynthia Nelms*

Ladies never let your mother
comb your hair when she is mad
at your dad
- *Gallagher*



Corporate Humour



Sacred cows make the best
hamburger
- *Mark Twain*

Education is the ability to listen
to almost anything without
losing your temper
- Robert Frost



Corporate Humour



A good listener is usually thinking
about something else
- Kin Hubbard

Growing old is like being
increasingly punished for a crime
you did not commit
- *Tony Powell*

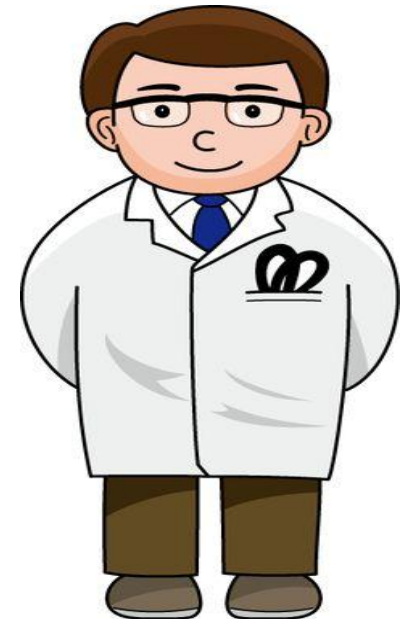


Corporate Humour



You are only young once, but you
can be immature for ever
- *Germaine Greet*

The difference between doctors and
lawyers is that lawyers merely rob you
while doctors rob you and kill you too.
- *Anton Chekhov*



Corporate Humour



Resentment is like drinking
poison and waiting for the other
person to die.

Muscles come and go but flab
stays
- *Bill Vaughan*



Corporate Humour



In Economics the great nations of the world have always acted like gangsters and the small nations like prostitutes
- *Stanley Kubrick*

A lad with his first cigar makes himself sick. A lad with his first girl makes other people sick.
- *Mary Wilson*



Corporate Humour



A university is what a college becomes when the faculty loses interest in the students.

- *John Ciardi*

People are born ignorant not stupid.
They are made stupid by education

- *Bertrand Russell*



Bismarck J. Rewang, MD/CEO
Financial Derivatives Company Ltd.
Lagos, Nigeria
01-7739889

*Thank
you*

