

Unity Bank Digest

February 10, 2020



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The Highlights

Lagos State bans tricycles and bikes on key highways

The Lagos State government banned the movement of motorcycles (popularly known as 'okadas') and tricycles within the state. The decision was primarily premised on the high rate of deaths and disorderliness caused by these two common modes of transportation. The restriction, which became effective on February 1st, has already resulted in disruptions across the metropolitan state including a hike in transport fares and heavier than usual traffic. These disruptions could result in a jump in inflation within the Lagos metropolitan in the coming months.

Monetary Policy Committee increases CRR, holds other rates constant

The Monetary Policy Committee (MPC), at its first meeting in 2020 revised the cash reserve ratio (CRR) upward by 500 basis points (bps) from 22.5% to 27.5%, while maintaining all other parameters. The increase in CRR was premised on the need to reduce the credit creation capacity of deposit money banks, attain stability in the foreign exchange market and curtail the rising trend of inflation.

IMF maintains Nigeria's outlook for 2020/2021 at 2.5%

The IMF left its 2020 and 2021 GDP growth outlook for Nigeria unchanged at 2.5%. This is slightly higher than 2019's estimate of 2.3%. Growth forecasts for SSA were downgraded by 0.1% from the October projections and this is due to structural constraints and worsening public finances in South Africa. Global growth projections for 2020 and 2021 were, however, revised downwards to 3.3% and 3.4% from the October forecast of 3.4% and 3.6%. This was mainly due to the slower growth forecast for India, rising social unrest, and increasing environmental disasters.

World Economic Forum 2020 - US to extend travel ban to seven countries including Nigeria

The 50th Annual Meeting of the World Economic Forum 2020, which held in Davos Switzerland, hosted a number of billionaires and world leaders. During the meeting, The

US President, Donald Trump, announced his intention to extend the US travel ban to seven countries, including Nigeria. The other countries are Belarus, Myanmar, Kyrgyzstan, Eritrea, Sudan, and Tanzania. The extension is geared towards preventing potential acts of terrorism and ensuring the safety of US citizens.

Coronavirus outbreak in China

Over 9,000 cases and 200 deaths have been reported since the sudden outbreak of the deadly respiratory disease in Wuhan, China. The virus has since spread to some of China's major cities including Beijing, Shanghai and Shenzhen. Surrounding countries including Korea, Japan and Thailand as well as the US and Canada have also reported cases of the virus. Strict travel bans have been put in place to restrict movement in and out of central Chinese cities where the outbreak originated.

FAAC disbursements increased by 12.66% to N716.29 billion in January

The Federal Account Allocation Committee (FAAC) disbursed a total of N716.29 billion to the three tiers of government for the month of January. This represents an increase of 12.66% compared to N635.826 billion (bn) allocated in December. The amount disbursed is an accumulation of revenue from value added tax, exchange gain and statutory revenue. Gross statutory revenue increased by 22.05% to N600.31bn from N491.88 bn in the previous month. The balance in the excess crude account as of January 15 is \$324.97 million.

Nigeria dropped two places to 146th in global corruption ranking¹

The global anti-corruption agency, Transparency International, has released its 2019 Corruption Perceptions Index. In the report, Nigeria ranked 146th out of 180 countries, with a score of 26 points out of 100. The country's rank came behind other Sub-Saharan countries like Botswana at 34th, Rwanda at 51st and Senegal at 66th. The higher the score, the less corruption is perceived in the country. Denmark maintained its position as the country with the lowest level of perceived public sector corruption. According to the report, the highest-ranking countries included Denmark(87points), New Zealand(87points), Finland(86points), Singapore(85points) and Sweden(85points) while the countries with the lowest ranking included Venezuela(16points), Yemen(15points), Syria(13points), South Sudan(12points) and Somalia(9points). Meanwhile, the Sub-

¹ Transparency International. 2020. "Corruption Perceptions Index 2019". <https://www.transparency.org/cpi2019>

Saharan Africa region and Western Europe were classified as the lowest-scoring region and highest-scoring region respectively.

Social Corner

NBA legend, Kobe Bryant dies at 41

- American basketball legend, Kobe Bryant died on January 26th following a helicopter crash in Calabasas, California. He was aged 41 years.
- Bryant's 13-year old daughter, Giana alongside seven other people were also onboard the helicopter and confirmed dead.
- Kobe Bryant was a retired professional basketball player who played his 20-season career in the National Basketball Association (NBA) with the Los Angeles Lakers. He won five NBA championships and is currently ranked fourth on the NBA's all-time scoring list (33,643 points).
- The All-Star was honoured at the 62nd Grammy Awards and across various social media platforms. He is survived by his wife and three daughters.



Grammy Awards 2020

- The 62nd edition of the Grammy Awards held on January 26th at the Staples Center, Los Angeles. The award ceremony was hosted by musician Alicia Keys.
- American singer-songwriter, Billie Eilish, made history by becoming the youngest solo performer to win Album of the Year. The 18-year old was also awarded the Best New Artist, Record of the Year and Song of the Year.



- During the ceremony, performers and winners paid tribute to past legends including Kobe Bryant, Nispsey Hussle and Prince.
- Some of the winners and categories of awards include:

Record of the Year - “Bad Guy,” Billie Eilish

Album of the Year - *When We All Fall Asleep, Where Do We Go?*, Billie Eilish

Best New Artist -Billie Eilish

Song of the Year - “Bad Guy,” Billie Eilish O’Connell and Finneas O’Connell (Billie Eilish)

Best Rap Album - *IGOR*, Tyler the Creator

Best Pop Vocal Album- *When We All Fall Asleep, Where Do We Go* — Billie Eilish

Best Pop Duo/Group Performance - “Old Town Road” — Lil Nas X & Billy Ray Cyrus

Producer Of The Year, Non-Classical - Finneas

Best R&B Album - *Ventura* —Anderson .Paak

Best Spoken Word Album (Includes Poetry, Audio Books & Storytelling) - *Becoming* —Michelle Obama

Best Music Video - “Old Town Road (Official Movie),” Lil Nas X featuring Billie Ray Cyrus

Best Music Film - *Homecoming*, Beyoncé

Best Reggae Album- *Rapture* — Koffee

Best Gospel Album - *Long Live Love* — Kirk Franklin

Best World Music Album - *Celia* — Angelique Kidjo

Prince Harry and Meghan Markle give up royal titles

- Prince Harry and his wife, Meghan Markle announced their intention to step back as senior members of the Royal Family and work to become “financially independent”.
- The couple has a combined estimated net worth of £34million from Prince Harry’s inheritance and Meghan’s earnings from US TV show *Suits*.



- Regarding their titles, Prince Harry and Meghan will still be addressed as the Duke and Duchess of Sussex. However, they would lose the 'His/Her Royal Highness' title and Harry will no longer serve as the Captain of the Royal Marines.

Greece appoints first female president

- Katerina Sakellaropoulou emerged as president-elect of Greece after winning 261 out of 300 votes in the Parliament on January 22, 2020.
- The 63-year-old high court judge will take the oath of office on March 13, to succeed the current president, Prokopis Pavlopoulos.
- Her victory represents a break into Greece's male-dominated political scene and a step towards gender equality in the country.



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Main Report

Monetary Policy Committee adjusts the CRR to 27.5%pa

- The Monetary Policy Committee (MPC) members voted to increase the cash reserve ratio (CRR) by 500 basis points (bps) to 27.5% from 22.5% while holding other policy parameters constant. The monetary policy rate, liquidity ratio and asymmetric window were maintained at 13.5%, 30% and +200/-500 bps respectively.
- The decision to increase the CRR ratio was based on the need to control excess liquidity in the banking system and reduce inflationary pressures while retaining the benefits of the increased loan-to-deposit ratio.
- Other considerations for the Committee at the domestic level include the slow-paced domestic growth, rising debt stock and declining external reserves.

Analysis and Outlook

The MPC's decision to increase the CRR to 27.5%pa was premised on the need to curtail inflationary pressures in the economy. The hike implies approximately N1.4trillion (5.17% of money supply) of total banking assets at 0%pa. However, the market is expecting OMO bills maturity in excess of N10trillion in the coming weeks. Hence, naira liquidity will remain high in the already saturated money markets. The good news is that the resultant increase in bank deposit rates will be a welcome development for investors who are currently receiving a yield of 3.5%pa (91-day T/bill) against an inflation rate of approximately 12%.

Business Update

(Review Period: January 16-31, 2020)

The Foreign Exchange Market

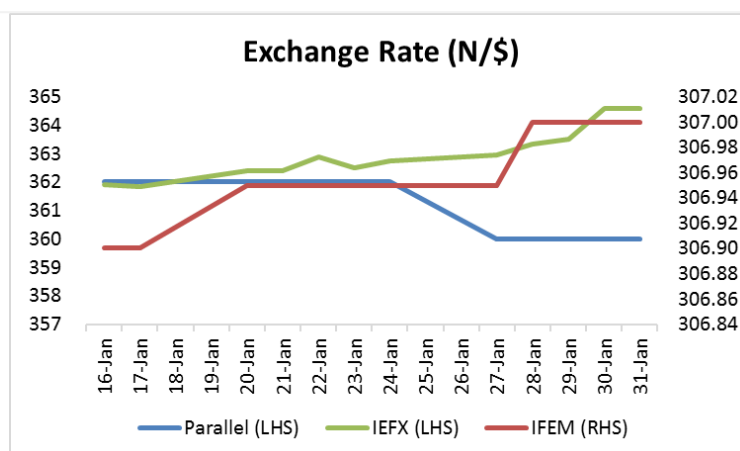
At the parallel market, the naira started the period at N362/\$ before appreciating to close at N360/\$. This was despite the fact that the CBN did not intervene in the forex market during the period. The currency also appreciated by 0.21% and 0.75% to close at N476/£ and N397/€ against the pound and euro respectively.

The currency depreciated by 0.03% and 0.57% to close at N307/\$ and N363.97/\$ on January 31 at the interbank market and IEFX window respectively. During the review period, there was a decline in the total forex traded at the IEFX window to \$2.63 billion from \$3.01 billion in the first half of January.

Gross external reserves dipped throughout the period. It fell by 0.68% from \$38.32 billion on January 16th to \$38.06 billion on January 30. The current level of external reserves (\$38.06billion) is equivalent to an import cover of 9.48 months.

Outlook and Implications

As the CBN continues to support the naira, we expect the currency to remain relatively stable in the near term. However, the continuous depletion of the external reserves could limit the CBN's ability to intervene in the foreign exchange market.



SOURCE: FDC Think Tank, CBN, FMDQ

The Money Markets

Average liquidity within the banking system declined by 10.90% to N421.57 billion during the period from N473.14 billion recorded in the first half of January. This decrease was partly due to the net outflow of N137.78 billion recorded during the review period. Total OMO sales stood at N651.83 billion, higher than the total OMO repayment of N514.05 billion.

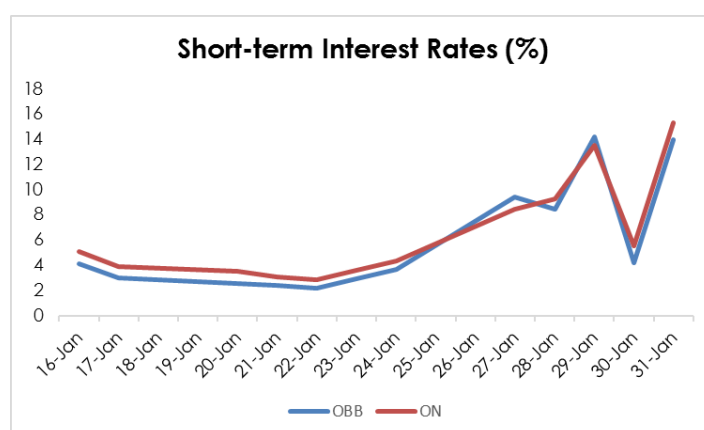
Short term interest rates (OB & O/N) increased by 986bps and 1,026bps during the period to close at 14%pa and 15.33%pa respectively. This increase was partly due to the decline in market liquidity.

At the primary market, there was a Treasury Bills auction of N229.64 billion on January 29. Yields increased across all tenors by an average of 84bps to 3.5%pa, 4.5%pa and 6.5%pa respectively. There was also a bond sale of N155 billion on January 22, which was oversubscribed by 300%. The yields declined across board by an average of 82bps.

In the secondary market, the 182-day and 364-day tenor declined by an average of 140bps to 3.67% pa and 4.00% pa respectively while the 91-day jumped by 107bps to close at 3.35%pa.

Finally, Nigerian interbank treasury true yields (NITTY) declined across all tenors by an average of 35bps.

Tenor	NITTY rates at January 16, 2020 (% pa)	NITTY rates as at January 22, 2020 (% pa)	Change
30-day	3.06	2.83	-23bps
90-day	3.05	2.79	-26bps
180-day	3.78	3.22	-56bps



SOURCE: FDC Think Tank, CBN, FMDQ

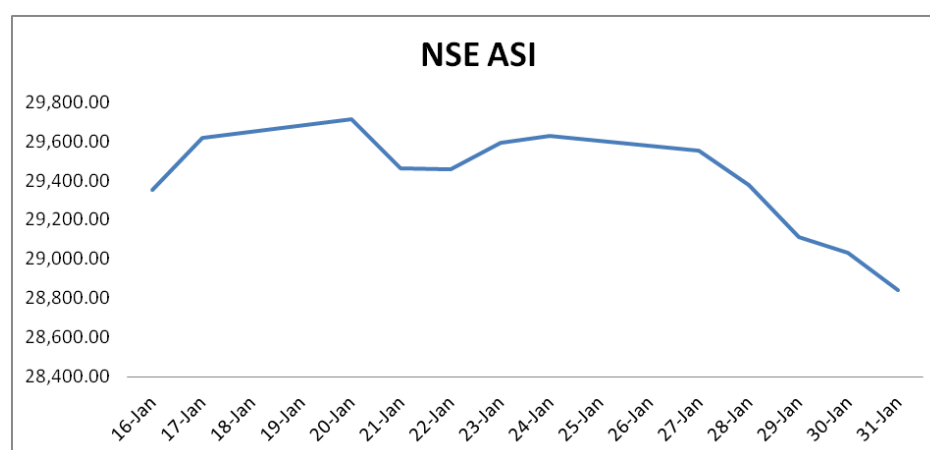
Tenor	Secondary market rates at January 16, 2020 (% pa)	Secondary market rates at January 31, 2020 (% pa)	% change	Primary market rates at January 15, 2020(% pa)	Primary market rates at January 29, 2020(% pa)	% change
91-day	2.28	3.35	1.07	2.95	3.5	0.55
182-day	4.64	3.67	-0.97	3.95	4.5	0.55
364-day	5.82	4.00	-1.82	5.09	6.5	1.41

The Stock Market

The NSE ASI declined by 1.73% to close at 28,843.53 points on January 31 from 29,352.13 points on January 16. This was after the MPC increased CRR by 500bps. Similarly, market capitalization dipped by 1.85% to N14.86 trillion at the end of the month from N15.14 trillion on January 16. The market's current year-to-date return is 7.46%. Excess money market liquidity contributed to the market's positive performance as it helped increase demand for equities. The market recorded four positive trading days and seven negative days within the review period.

Outlook & Implications

The CBN's move to hike the CRR by 500bps to 27.5% was aimed at mopping up the excess liquidity in the system. This will lead to an increase in interest rates in the near term, thus reducing demand for equities.



SOURCE: NSE

The Commodities Market

- **Brent prices** declined by 9.44% from \$64.62 per barrel on January 16 to close at \$58.52 per barrel. Oil prices dipped to a three-month low during the period due to fears of the rapid spread of coronavirus in China.

Outlook & Implications

- We expect oil prices to decline further in the near term as the rapid spread of the coronavirus pandemic threatens global demand for oil. This would reduce Nigeria's export earnings as crude oil accounts for about 90% of the country's export.
- **Natural gas** prices dipped by 11.06% to close at \$1.85/mmbtu from \$2.08/mmbtu on January 16. This is partly attributed to ample global supplies as output from the US and Qatar increased during the period.

Outlook & Implications

- We expect natural gas prices to decline in coming weeks as demand falls due to expectations of warmer temperatures in the US. This would negatively affect Nigeria's revenue from natural gas exports.
- **Corn** prices increased by 1.00% from \$375.50/bushel to \$379.25/bushel on January 31. This was despite rising concerns about the coronavirus outbreak in China.

Outlook & Implications

- Lower supply from the US, the largest producer of corn globally will lead to higher corn prices in the coming weeks. This could translate to increased import bill by firms that depend on corn for production.
- **Wheat** prices declined slightly by 0.88% to \$560.25/bushel from \$565.25/bushel on January 16. Prices were driven by strong demand for wheat amid reduced global supply as planting declined to a record low in the US.

Outlook & Implications

- We expect wheat prices to trend upwards as global supplies decline due to lower planting in the US. Higher wheat prices have a negative impact on the country's trade balance as spending on imports rise.

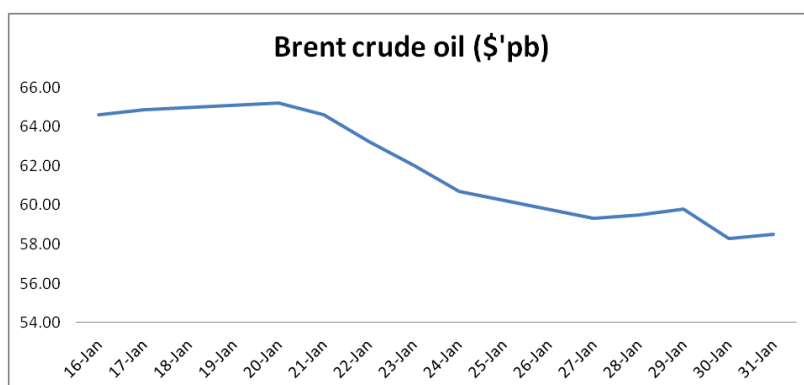
- **Sugar** prices rose by 1.73% from \$14.43/pound on January 16 to \$14.68/pound on January 31 due to lower production in India.

Outlook & Implications

- We expect sugar prices to trend downward in the coming weeks due to signs of increased supply from Brazil. This would increase Nigeria's import bill as the country is a major importer (10th largest importer globally).
- **Cocoa** prices increased by 2.29% to close at \$2,774/mt from \$2,712/mt on January 16. The combined effect of higher global demand and reduced supply from Ivory Coast supported prices during the period.

Outlook and implications

- We expect cocoa price to continue its upward trend as the fall in supply from Ivory Coast persists due to unfavourable weather conditions. The price increase would result in higher export earnings for Nigeria as cocoa is one of the country's major non-oil exports.



SOURCE: Bloomberg, EIA, Newsnow

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1

Just dial
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2

Input your
**Account
Number**

3

Do you have a
Debit Card

YES

Input the first 6 &
last 4 digits of the
debit card; Then:

**Create a four
(4) digit pin**



NO

Then
**Create a four
(4) digit pin**



Account
is created
successfully &
with a limit of
N100,000
per day.

Transactions above 20,000
requires a hard token to
complete the transaction.



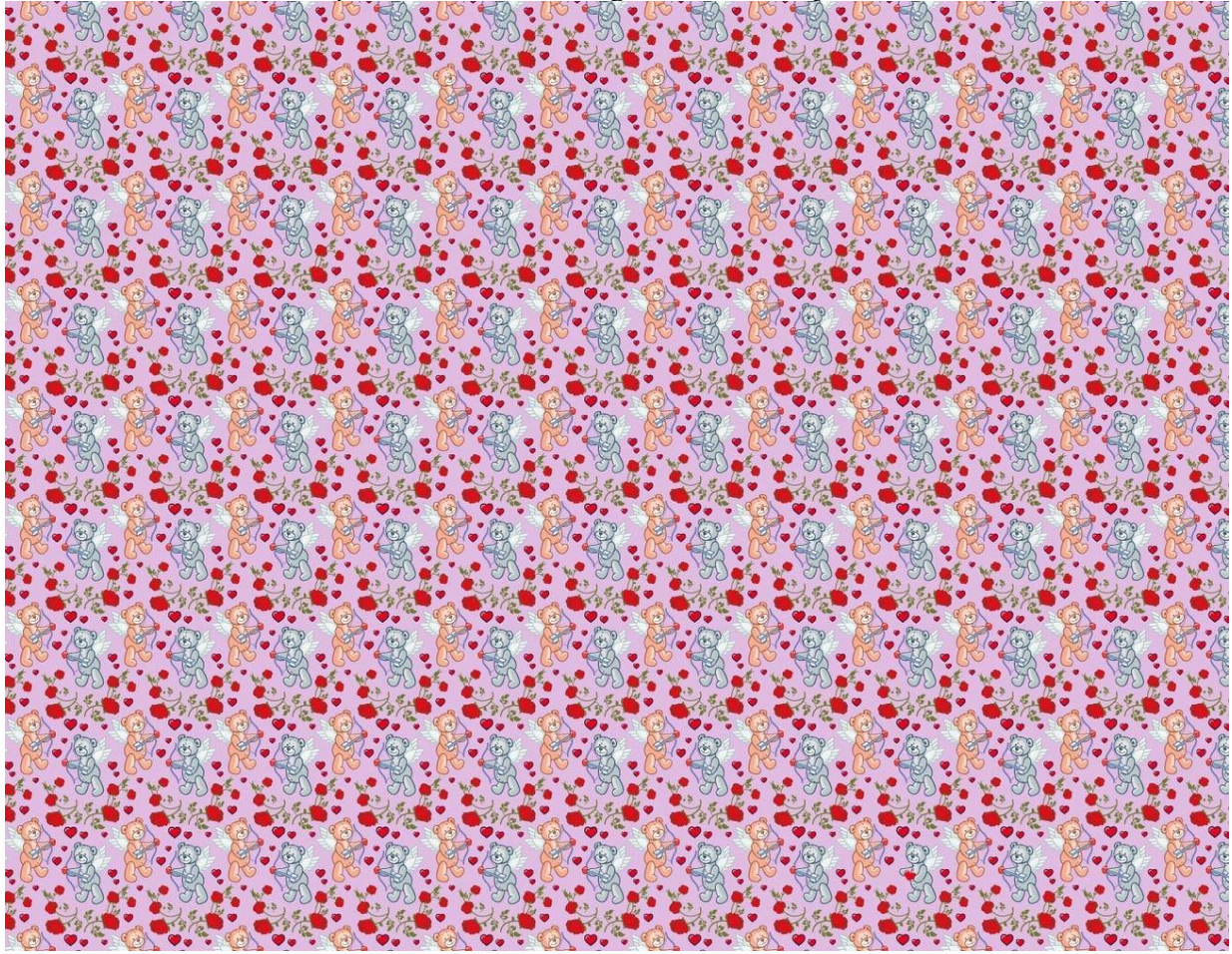
Account
is created
successfully &
with a limit of
N2,000
per day.

Limit can be increased at
any of our branches.

Lifestyle

Can you spot the bear holding the heart?²

It takes an average of 3 minutes and 16 seconds to solve this Valentine's Day puzzle – how long does it take you?



Did you find the bear that's holding a heart?

Need a hint?

Look in the bottom right corner.

²<https://www.insider.com/valentines-day-puzzle-average-of-3-minutes-16-seconds>

How To Spend Valentine's Day On A Budget

Culled from Forbes³

How much do you spend on Valentine's Day? Twenty dollars on chocolates? Fifty dollars on flowers? One hundred dollars on dinner for two? The totals can rack up, and in these tough economic times, can we justify such expense so soon after the holidays? Now, we're not trying to be unromantic – but perhaps you can celebrate this Valentine's Day without incurring hundreds of dollars of spending. With many of us counting the cents these days, no one will hold it against you if you resort to some cost-effective creativity in the name of love and frugality. We've rounded up some of the best ideas for a Valentine's Day on a budget, which won't break the bank, or anyone's heart.

The Romantic Meal for Two

If you feel that the romantic meal out for two is an obligatory part of the celebrations, then there are ways to go out without spending a small fortune. Historically, there may have been a stigma with using a discount coupon when you're having a romantic dinner for two, but chances are you will both be glad to save a few dollars in the current climate; so no one will complain.

Groupon.com often has special offers on meals, so see if there is a cheap deal to be had in your local area. Check your local papers too, as restaurants may be doing special promotions for the holiday. Of course, you could also consider "moving the date." Aside from Valentine's Day, February is a relatively quiet period for restaurants. By celebrating Valentine's a few days early or late, you may well be able to dine out for a fraction of the price.

Staying in

You could have the romantic meal for two without being crushed into a restaurant full of other couples. What about staying in this Valentine's Day? If you're a hopeless cook, fear not. The grocery stores seem to be pulling out the stops. Find a high-end grocery store that offers a take home meal and serve by candlelight with a bottle of Prosecco. (Not champagne of course, we are on a budget). The comfort of your own home and

³<https://www.forbes.com/sites/investopedia/2012/02/06/how-to-spend-valentines-day-on-a-budget/#20f721291087>

the absence of other diners may well make this is a preferable option in terms of cost and ambiance.

Scrap the Card

Is there a more overpriced piece of paper than a Valentine's Day card? We're not suggesting you don't send one altogether, but you can save \$4 or \$5 by making your own. Don't worry if creativity is not your strong point. A homemade something is always infinitely nicer than a shop-bought option. Papers and magazines are full of Valentine's inspired stories now, so why not cut out relevant words and phrases and attach them to a piece of cardboard. Or attach a photo of you and your partner, and write where the photograph was taken and what the memory means to you. These cards will cost cents to create, and will be infinitely more personal and meaningful than anything Hallmark has to offer.

Make the Gift

Does anyone really want those cheap stuffed toys and cheesy mementos? We'd guess not, so how about taking the time to make a Valentine's gift this year. How about writing down 10 things you love about your partner on a sheet of paper and sticking it somewhere they will see it first thing in the morning, such as inside their wardrobe or on the bathroom mirror? Or you could bake a cake, make a memory box of ticket stubs and photos, write a poem, or create a simple scrapbook of the past year's memories. That way you'll be giving a gift that your partner will remember throughout the year.

Spend Time Together

Why not plan a day out together as a Valentine's treat? This doesn't need to be expensive or elaborate. How about finding free art galleries or museums to visit? Taking time to go for a long walk? Or doing all of the household chores in advance, so that you can spend the weekend watching movies and relaxing?

The Bottom Line

Valentine's Day is about spending time with the person you love – not lining the pockets of card companies, flower delivery firms and restaurants. It really is the thought that counts, and with these ideas you can have a cheap but cheerful Valentine's Day this year.

Contact

Would you like to open an account with us?

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