

Unity Bank Digest

June 28th, 2017



THE HIGHLIGHTS

Nigeria's Diaspora Bond Oversubscribed

- The Federal Government has successfully raised \$300 million in its first Diaspora bond issuance. The bond traded at a coupon rate of 5.625% and is due for maturity in 2022. The bond was targeted at retail investors in the US, and was sold via private banks and wealth managers.

20 states still owing workers

- 20 states out of 36 owe its workers at least one month's salary. These include salaries of school teachers, local government workers, pensioners, secretariat workers and independent agency workers. States without any outstanding payments include: Anambra, Akwa Ibom, Borno, Cross River, Ebonyi, Jigawa, Kaduna, Kano, Katsina, Kebbi, Lagos, Ogun, Plateau, Sokoto and Yobe.

N350bn Capex funds

- Kemi Adeosun, the Federal Minister of Finance, is prepared to disburse N350bn as part of the total 2017 capital expenditure budget. These funds will boost economic activity as infrastructure projects commence. However, this figure is only about 16% of total capex budget - barely enough to move the needle.

Oil dips to a 10-month low

- Brent oil prices continue to trend downwards, closing at \$45.58pb on June 23rd, compared to \$50.3pb at the beginning of June. Prices dipped to \$44.49pb during the period under review- the lowest level since August 2016. The price fall was driven primarily by intensifying market worries about the global supply glut.

FG disburses N3.7bn to nine states for the school feeding programme

- The Federal Government has released N3.7bn this year in funds towards its Social Intervention Programme, which aims to feed three million children in 2017. The funds cover the cost of food and labour services, and reduce the financial strain on

poor parents. By incentivizing the parents to send their children to school instead of the streets to hawk, the program hopes to encourage a higher standard of living and quality of life. The beneficiary states include: Oyo, Onus, Zamfara, Delta, Abia, Ebonyi, Enugu, Anambra and Ogun. A total of 1,287,270 students have been impacted positively by the program.

Power output (Review Period: June 11th- 21st)

- Power output opened at 3,516Wh/h on June 11th, but fell to 3,307Wh/h on June 21st. Output reached a period low of 2,786 Wh/h compared to the average output of 3,350Wh/h. Total constraint was 2,979MW on June 11th, compared to 3,193MW on June 21st. The sector lost approximately N29.27 billion during the review period.

Luanda is world's most expensive city

- According to Mercer, a global consultancy, Luanda is the most expensive city for expatriates to live in. This is the second time in three years the Angolan capital will top the most expensive list. Hong Kong, Tokyo, Zurich and Singapore are also in the top five. Other African cities in the top 25 include: Victoria, Seychelles (15th), N'djamena, Chad (16th) and Kinshasa, DR Congo (18th). The survey measures the comparative cost of 200 times including housing, transportation, food, and entertainment.

Facebook reaches 2 billion users

- Facebook has officially gained 2 billion monthly users, according to Mark Zuckerberg. These include users who logged in to Facebook in the last 30 days. At this size, the social media network is more than the individual population of six of the seven continents (excluding Asia).



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Note that all transactions are subject to Central Bank of Nigeria (CBN) guidelines.



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SOCIAL CORNER

Google releases plans for 'Landscraper' London headquarters

- Google officially submits plans for a new headquarters to be in King's Cross London, designed by Bjarke Ingels Group and Heatherwick Studios, the team behind TfL's New Bus for London and the 2012 Olympic Cauldron.
- It will stand 11 storeys tall and stretch a massive one million-square-feet. Construction is scheduled to start next year.
- The building is said to have been treated 'like a piece of infrastructure'. It contains facilities such as massage rooms, gyms, a swimming pool, four cafes, as well as a rooftop track and ground-floor retail stores. Issues such as sustainability are also addressed with roof-top solar panels, calculated to yield a total of 20MWh annually, a rooftop garden, adequate parking space for bikes, etc.
- This new building would combine with the existing King's Cross office and another new office (to be built later), which would create a joint campus for up to 7,000 Google employees.
- This design is the second to be proposed, after the initial design (projected at a £1bn price tag) put together by London-based architects, Allford Hall Monaghan Morris (AHMM), was rejected for being "too boring".



Bafana Bafana win two goals to nil against Super Eagles.

- The Bafanas of South Africa experienced their first ever victory in a competitive game over the Super Eagles of Nigeria in the Group E qualifier match for the 2019 Africa Cup of Nations that took place on June 10th, 2017 in Godswill Akpabio International Stadium, Uyo, Nigeria.

- Strikes by Rantie and Percy Tau in the 54th and 81st minutes respectively secured victory for the South Africans, as well as a spot in the second round of the qualifiers where they will be playing against Libya.
- The Super Eagles will travel to Seychelles in March next year for their next match concerning the 2019 Africa Cup of Nations.



Amazon to buy Whole Foods

- Amazon announced its intention to acquire the organic grocery store – Whole Foods in a deal worth \$13.7bn or \$42 per share in a cash transaction.
- For many years, Amazon has reportedly made attempts to venture into the grocery delivery business. Also, the new acquisition deal with the US based grocery giant is a nudge in the right direction.
- Bloomberg reported that the deal will potentially convert Amazon into a grocery giant and also help propel Instacart Inc, a side start-up that delivers grocery items from Whole Foods stores in Washington DC and another 20 states.
- John Mackey will remain the CEO of Whole Foods and the company will retain its brand, stores, sources and vendors.
- In a statement released by Mackey, he expressed that the Amazon – Whole Foods partnership will present an opportunity to maximize value for Whole Foods' shareholders, as well as providing customers with the highest quality, convenience, experience and innovation.
- Jeff Bezos, Amazon CEO, recognized Whole Foods for their commendable work.
- The deal is pending approval from shareholders but is expected to be sealed in the second half of 2017.



McDonald's ends Olympic Sponsorship

- US fast food giant McDonald's and International Olympic Committee (IOC) mutually agreed to terminate the 41-year sponsorship deal with immediate effect, pulling out three years early.

- The decision to end the contract was in response to a shift in McDonald's brand strategy, which includes improving food quality, restaurant customer service and online orders to propel dwindling US sales.
- According to the Chief Marketing Officer Silvia Lagnado – McDonald's has been reducing costs recently and is enacting a global growth plan with different priorities.
- McDonald's has been an official sponsor of the Olympic games since the 1976 Montreal games.
- The deal was supposed to last through to the 2020 Tokyo Summer Olympics, generating \$100m over each four year Olympic cycle.
- The fast food giant was an integral member of the Olympic sponsorship program and has donated over \$1billion to each four-year Olympic cycle.
- It joins Budweiser, Citi, Hilton and AT&T, which have all abandoned their Olympic sponsorship deals over the past two years.
- The Olympic committee is looking to the Asian market for potential sponsorship deal replacements.
- Alibaba, the Chinese ecommerce giant announced it will sponsor the next six Olympics. The deal is expected to generate almost \$600m for the Olympic committee.



Uber CEO resigns under investor pressure

- Travis Kalanick, the co-founder of the \$68 billion ride-hailing app has resigned suddenly as investors questioned his leadership role. However, he will remain on the company's board.
- The group of investors, who own more than a quarter of Uber's stock and account for 40% of the voting share, and include Benchmark, Menlo Ventures, Lowercase Capital, First Round Capital and Fidelity Investments, called for Kalanick's urgent resignation in a letter delivered to him.
- The resignation took place a week after Kalanick started an indefinite leave of absence.



- Kalanick said in a statement to the New York Times - "I love Uber more than anything in the world and at this difficult moment in my personal life, I have accepted the investors' request to step aside so that Uber can go back to building rather than be distracted with another fight."
- In February, a former employee published a long post accusing the company of gender discrimination and sexual harassment.
- Eric Holder, a former US attorney was appointed to investigate the company's workplace culture and the results were released shortly after - the verdict called to re-examine and reduce Kalanick's role in the company.
- Venture capitalist – David Bonderman also resigned from Uber's board of directors after accusations of making sexist comments at the staff meeting.
- President – Jeff Jones, Senior Vice President of Engineering – Amit Singhal, Head Policy and Communications – Rachel Whetstone, Vice President Maps – Brian McClendon, Vice President Product and Growth – Ed Baker, also reportedly left the tech company earlier this year.

Facebook reaches 2 billion users

- Facebook has officially gained 2 billion monthly users, according to Mark Zuckerberg. These include users who logged in to Facebook in the last 30 days. At this size, the social media network is more than the individual population of six of the seven continents (excluding Asia).
- Facebook reached 1 billion users in October of 2012, eight years after it was founded. Growth is driven by the increasing internet penetration in developing countries. As of April 2017, over 5 million companies/businesses were placing adverts on the network.
- The company's position as the most influential social network places it in a powerful position to tackle global issues. Nevertheless, the company faces ethical challenges as it strives to find a balance between protecting user security and privacy, and exposing extremism and violence.



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TOP STORIES

Nigeria's Diaspora Bond Oversubscribed

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Analysis & Outlook

- Fitch Ratings had earlier assigned the dollar denominated Diaspora bond a B+ rating, in line with Nigeria's Long-Term rating of B+ with a negative outlook. Despite this negative outlook, the debt was oversubscribed. This is proof of strong Diaspora patriotism and solidarity.
- The funds will provide budget support for the government's expenditure plans. The dollar inflow will increase liquidity and aid the CBN's intervention. It provides an opportunity for Nigerians living abroad to contribute to growth and development.

Oil dips to a 10-month low

- Brent oil prices continue to trend downwards, closing at \$45.58pb on June 23rd, compared to \$50.3pb at the beginning of June. Prices dipped to \$44.49pb during the period under review- the lowest level since August 2016. The price fall was driven primarily by intensifying market worries about the global supply glut.
- This is coming only a few weeks after the OPEC agreement to extend cuts by nine-months. The deal includes output cuts of 1.8 million barrels per day. Meanwhile US production, which has increased by up to 10% in the last year, is currently at about 9.33mbpd.

Analysis & Outlook

- Overall, the outlook for oil remains bleak. Energy Information Administration (EIA) has cut its oil price forecast for 2018 to \$55.61pb, 2.6% lower than previous forecasts. JP Morgan and Barclays have also slashed their forecast for oil amid increasing global glut.
- This lower price is negative for Nigeria's revenue and dollar inflows. However, with the re-opening of Forcados and a boost in oil production to an estimated 1.9mbpd, the impact of the low oil price has been alleviated.

20 states still owing workers

- 20 states out of 36 owe their workers at least one month's salary. These include salaries of school teachers, local government workers, pensioners, secretariat workers and independent agency workers. States without any outstanding payments include: Anambra, Akwa Ibom, Borno, Cross River, Ebonyi, Jigawa, Kaduna, Kano, Katsina, Kebbi, Lagos, Ogun, Plateau, Sokoto and Yobe.
- States in the north-central region, such as Benue and Kogi, have the highest outstanding debts to workers. It's surprising to see that this region has underperformed terror-torn states in the north-east, such as Yobe (which has no outstanding payments) and Gombe (only one month outstanding to Primary school teachers).
- On the individual state level, Kogi remains the state with the highest salary backlog. As of May 15th, 2017, the north-central state owed school teachers 15 months' salary, secretariat workers 10 months, local government workers 14 months, pensioners 17 months and independent agency workers were owed 7 month's salary.
- Since April 2015, Osun State has paid secondary school teachers and secretariat workers only 50% of their salaries, while Imo State slashed civil service workers' salaries by 30%.

Analysis & Outlook

- States with the lowest internally generated revenue (IGR) remain laggards in paying salaries. Another federal government bailout might be needed to support recurrent budgets and wage bills. In addition to increasing IGR, states will need to consider a labour restructuring.

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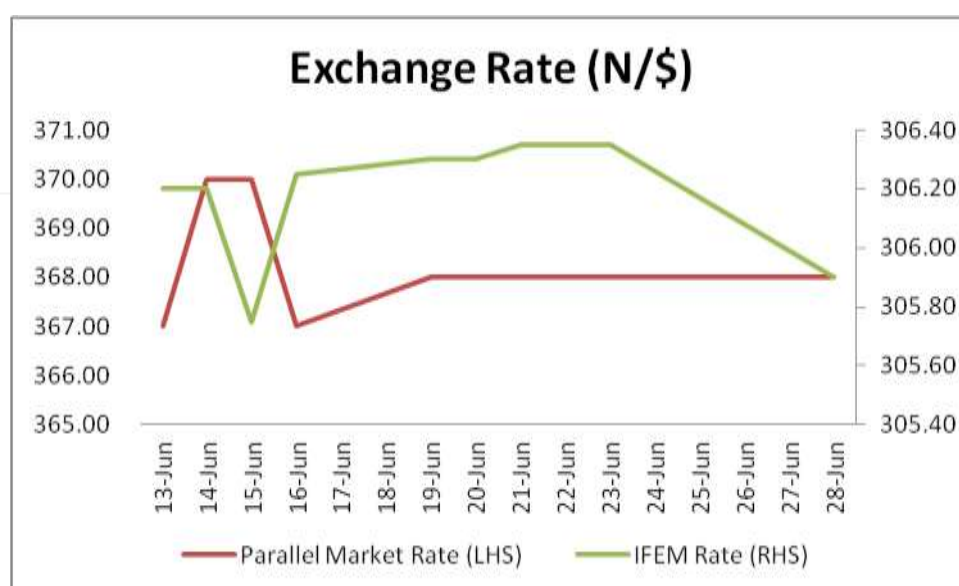
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BUSINESS UPDATE (Review Period: June 13th – 28th 2017)

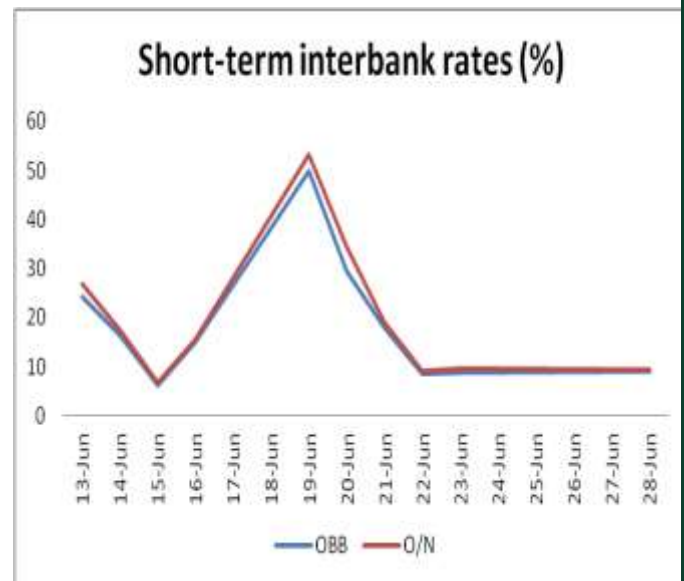
The Forex Market

- At the parallel market, the naira:
 - Depreciated marginally by 0.27% during the review period to close at ₦368/\$ on June 28th, from ₦367/\$ on June 13th.
 - Reached ₦370/\$ on Jun 14th.
- Depreciated by 0.43% against the pound to close at ₦467/£.
- At the interbank market, the naira stayed relatively flat, closing at ₦306.40 on June 28th, from ₦306.20/\$ on June 13th.
- The IEFX rate appreciated by 1.20% to ₦368.37/\$
- External reserves lost 0.03% during the period to \$30.21bn, before regaining marginally to close at \$30.22bn on June 21st.
 - Import cover is flat at 6.77 months.
 - We expect a further slowdown in the pace of accretion of external reserves, as forward contracts mature, and oil prices remain below \$48pb.



The Money Market

- Short-term interbank interest rates (OBB, O/N) declined 1,517bps and 1,759bps respectively in the review period.
 - OBB closed at 9.00%pa, while O/N closed at 9.33% pa on June 28th.
 - Rates have been volatile in June
 - Due to funding for forex positions
Month high: 116.67%; 126.67% (OBB; ON/)
 - Month low: 6.33%; 6.75% (OBB; O/N)
- Yields on T-bills investments in the primary market have increased during the period.
- 91-day: 13.97%; 182-day: 18.93%
 - Rates have increased by 0.15% (avg) in June



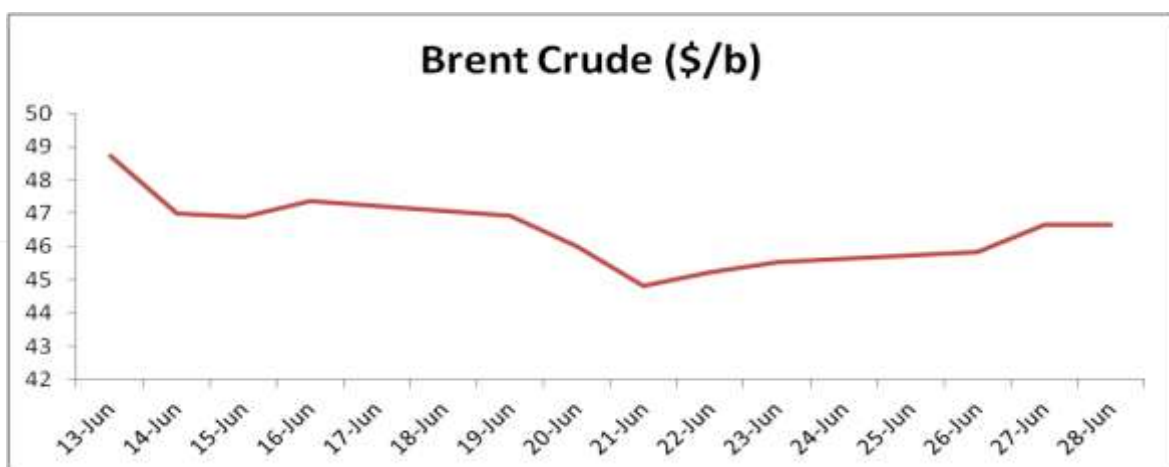
The Stock Market

- The Nigerian Stock Exchange All Share Index (NSE ASI) rallied for three weeks, reaching a 24-month high on June 16th
 - Driven by positive market sentiment such as increased IEFX trading and budget signing
- Market closed at 32,657.40 on June 28th- 1.46% less than 33,141.85 on June 13th
- This could mean the bubble has fizzled out
- Total market capitalization closed at N11.29trn on June 28th- a 1.48% loss from N11.46trn on June 13th.



The Commodities Market

- Brent crude price slumped by 4.23% to \$46.66pb on June 28th from \$48.72pb in the review period
 - Reached a 10-month low of \$44.6pb during the period
 - OPEC's production in May increased to 32.14mbpd fuelled by increased output from Libya and Nigeria.
 - Markets question compliance of oil cut deal.
 - Despite the Energy Information Administration (EIA) data on a drop in US commercial crude inventories by over 2m barrels, the oil market continued to nose dive.
 - US oil rig count up by 8 last week to 941
 - 23rd consecutive weekly rise
 - Higher than expected shale oil output offsetting OPEC supply curb
- Natural gas increased by 2.36% during the period to \$3.03/mmbtu from \$2.96/mmbtu.
 - Robust US supplies and cool start to summer season weigh on prices.
- Wheat prices up by 5.73% to \$4.70/bushel from \$4.45/bushel.
- Corn price down by 3.41% to close at \$3.68/bushel from \$3.81/bushel.
- Sugar prices down by 8.06% to \$0.1289/pound from \$0.1402/pound in the review period.
 - Forecasts of good monsoons in India paving way for a rebound in sugar cane output.
- Cocoa prices slipped by 9.39% to \$1,863/mt from \$2,056/mt in the review period.
 - Reduced demand and high output levels weigh on prices.
 - Ivory Coast to produce 1.9mmt.



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SCAN TO OPEN



LIFESTYLE

WhatsApp rises as a major force in news media- Culled from BBC.COM¹

WhatsApp is becoming one of the prevailing ways people discover and discuss news, according to a study. But use of the messaging app appears to vary widely between countries.

In Malaysia, more than 50% of those surveyed said they used WhatsApp for news at least once a week. But in the US, the figure was only 3%, and in the UK it was 5%.

The Digital News Report also indicates the Brexit debate has led to growing mistrust of the UK's media.

It said only 43% of respondents declared that the news could be trusted - down from 50% last year - with the BBC in particular criticised for having both a pro-EU bias and failing to expose the "distortions" of the leave campaign.

Private is popular

The research was carried out by the Reuters Institute for the Study of Journalism and covered 34 countries in Europe, the Americas and Asia, in addition to Taiwan and Hong Kong. It was sponsored by the BBC and Google among others.

A total of 71,805 people were questioned by YouGov in January and February to generate its data.

The results indicate that Facebook remains the most popular social media and messaging service for news engagement in all but two countries - Japan and South Korea - where, respectively, YouTube and Kakao Talk dominate.

But it adds that use of Facebook for news had dipped in more than half of all the territories where a year-on-year comparison was possible. By contrast, sharing news stories and chatting about them appears to be on the rise within private instant messaging apps, and WhatsApp in particular.

¹ Culled from : <http://www.bbc.com/news/technology-40340830>

According to the report, WhatsApp is now the second most popular social service for news in nine of the 36 locations, and the third most popular platform in a further five countries. The authors provide several potential explanations for WhatsApp's rise.

Its use of end-to-end encryption means messages can only be seen by their senders and recipients, offering users protection against being monitored by the authorities.

"Some of the biggest growth we've seen is in places like Turkey, where it's positively dangerous for people to express anti-government preferences on open networks like Facebook," explained one of the study's authors, Nic Newman.

"As a result people are using closed groups where they are more confident of expressing their views." WhatsApp has also benefited from the fact that in much of Latin America and elsewhere mobile networks are offering unlimited data use within the program, so encouraging its use.

Furthermore, several Spanish and Chilean media outlets have embraced the app. Radio stations commonly ask listeners to send in short voice recordings via the service, and local news sites have added share-to-WhatsApp buttons to their pages.

However, Mr Newman said beyond that, it was difficult for the media to take advantage of the app's popularity beyond publishing stories that people want to share.

"You can set up branded areas or groups of people on your own, but it's incredibly clunky and time consuming, and there are few tools to help," he explained.

"And part of WhatsApp's appeal is that users don't get interrupted by brands, making it a very pure form of messaging. That's something [its developers] will really try to hold to."

Too close to power

The report also highlights widespread concerns about so-called "fake news".

It highlights users' suspicions that social media's lack of rules and use of viral algorithms have helped low-quality false stories spread quickly.

But it says there is also strong distrust of the mainstream media, in particular in Asian and central, southern and eastern European countries, where the industry is perceived as being too close to government.

This year's Digital News Report is even more sobering than usual.

Many of the institutions that contribute to democracy in the West are undergoing a crisis of trust. News providers are no exception. UK citizens' trust in news "in general" has fallen by 7% since the Brexit referendum, the report suggests.

That is a worrying drop. Combine it with Reuters' revelation that the proportion of people paying for online news in the UK remains "among the lowest of all countries" surveyed, and alarm bells should ring.

One reason for this could be the BBC, whose dominance in our news ecosystem might mean fewer people feel the need to pay for good information.

For a new generation, the link between high-quality general news and payment for that news might be breaking.

The internet has made general, daily news a very common commodity. With tech giants like Facebook and Google eating ever more of the advertising pie, news providers may find they have to specialise if they are to get audiences to part with cash. And those audiences won't pay for content they don't trust.

Rebuilding that trust, in an era of digital echo chambers and fake news, is going to be tough. But it must be done.

Yahoo News remains the most popular online news brand, in terms of the numbers of people using it at least once a week, across the 36 markets as a whole.

It also ranked as the top online source of online news in the US, Japan and Taiwan.

Its success may have been driven in part by the fact many users said it was better at delivering "amusing and entertaining" content than the competition.

Other findings reported include:

- dedicated news apps appear to be making a "comeback", but this is thought to be because existing users are making more regular use of the programs rather than there being a surge in the number of new installs
- Apple News is one of the fastest growing news aggregator services, with some publishers reporting that up to a third of their mobile traffic now comes from the app and its related widget, which flags stories on iOS devices' search screens
- online video remains a tough sell, with nearly half of respondents saying they had not consumed a clip on a news site or via social media in the past week

Blocking ad blockers

Making money from online news remains problematic. The study said 84% of respondents had not paid for content in the past year. However, it highlighted that there had been a "Trump bump" in the US, where several newspapers had attracted hundreds of thousands of new digital subscribers, many of whom have left-wing views and are under 35. Another development that will be welcomed by the industry is that the use of ad blockers on desktop PCs appears to have stalled and remains low on smartphones, with only 7% of respondents saying they had installed advert removing software on their handset.

Moreover, a "tough love" approach taken by some publishers - whereby they block access to their content if an ad blocker is in use - appears to have convinced many users to at least temporarily suspend the plug-in's use.

CONTACT INFORMATION

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