

Unity Bank Digest

February 17, 2020



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The Highlights

Oil discovered in Nigerian North East Basin

According to the Minister of State for Petroleum, one million barrels of oil reserves have been discovered in North Eastern Nigeria. This will bring the country's total oil reserves to approximately 38 billion barrels. The discovery comes at a time when investment in the oil sector is plummeting due to the uncertainties in the fiscal environment, especially the delay in the passage of the petroleum industry bill (PIB). Nonetheless, we expect the oil discovery to make the North East a commercially viable region.

Nigeria's oil production up, rig count down

According to OPEC's monthly report, Nigeria's oil production increased by 1.71% to 1.78mbpd in January from a revised figure of 1.75mbpd in December 2019. During the period under review, crude oil output also increased in Saudi Arabia but declined in Libya, Kuwait and Iraq. Nigeria's rig count moved in the opposite direction, declining by 17.64% to 14 in January.

CBN restricts milk importation to 6 companies

According to the CBN, the importation of milk and other dairy products has been limited to only six companies - FrieslandCampina Wamco, Chi Limited, Nestle Nigeria, Promasidor, Integrated Dairies Limited and TG Arla Dairy Products Limited. This comes approximately seven months after the CBN hinted at the possibility of including dairy imports to its forex restriction list in July, 2019. The decision is premised on the need to encourage manufacturing companies to embark on backward integration and reduce the demand pressure on Nigeria's foreign exchange earnings.

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 metropolis in the coming months.

OPEC Technical Committee recommends additional output cuts

OPEC's Technical Committee held a three-day meeting between February 5-7 to discuss the best response to the impact of the Coronavirus on global oil markets. At the end of the meeting, the Committee recommended additional output cuts of 600,000 barrels per day. However, the Committee is seeking to convince Russia to agree to deeper output cuts for member countries.

FBN Purchasing Managers Index at a 3-month low

In January, FBN's PMI reading declined sharply by 8.06% to 53.6points from 58.3points in December. This represents a 3-month low and is in line with a 5-year trend of a decline in January PMI owing to the lull in economic activities during the month. The decline can be partly attributed to the lingering impact of the border closure on trading activities.

Nigeria drops from 'top 5' to 'top 10' in International Finance Corporation (IFC) Investment destinations

The IFC has dropped Nigeria from its top 5 investment destinations. According to the head of IFC in Nigeria, EmeEssien Lore, the decision was premised on the slowdown in investment activity across the various sectors following the 2016 recession. This drop also serves as a call for the country to adopt bold reforms in areas such as power, infrastructure and monetary policy.

Britain to ban sale of gas, diesel and hybrid vehicles from 2035

On February 4, 2020the UK government announced that it will ban the sale of new gas, diesel and hybrid vehicles from 2035. The banwas initially planned to take effect in 2040, but in an attempt to tackle the problems of climate change, air pollution and fossil fuel emissions early, the date was brought forward to 2035. The UK joins other countries such as France and Norway who are also planning to reduce the sale of gas and diesel-powered vehicles in the coming decades.

Social Corner

Dangote tops Forbes Africa Billionaires List for the 9th consecutive time

- Forbes Africa recently released its 2020 billionaires list which featured elite billionaires from different countries in Africa.
- Of the 20 billionaires listed, four Nigerians were featured, including Aliko Dangote, who has topped the list for nine consecutive times. He has a net worth of \$10.1 billion.
- Only two women were featured on the list – Angola's Isabel dos Santos (net worth estimated at \$2.2 billion) and Nigeria's Folorunsho Alakija (net worth: \$1 billion).
- Other Nigerian's on the list are;

#3	Mike Adenuga	\$7.7 billion
#8	Abdulsamad Rabiu	\$3.1 billion
#20	Folorunsho Alakija	\$1 billion



2020 Oscars Ceremony

- The 92nd edition of the Oscars held on February 10 at Dolby theatre, Los Angeles, California. For the second consecutive year, the award ceremony did not have a host.
- History was made at the ceremony when South Korean movie, Parasite, became the first foreign language film to be awarded the Best Picture. The movie also bagged the Best International



Feature Film, Best Original Screenplay. The director, Bong Joon-ho, won in the best director category.

- Another highlight of the night was Brad Pitt's first acting Oscar win for his role in 'Once Upon a Time in Hollywood'.
- Other winners include:

Best actress - Renee Zellweger - Judy

Best actor - Joaquin Phoenix - Joker

Best supporting actress- Laura Dern - Marriage Story

Best supporting actor - Brad Pitt - Once Upon a Time in Hollywood

Best director - Bong Joon-ho

Best original screenplay - Parasite - Bong Joon-ho& Han Jin Won

Best adapted screenplay - Jojo Rabbit – Taika Waititi

Best animated feature - Toy Story 4

Best documentary feature - American Factory

Best international feature - Parasite - South Korea

Best original song - (I'm Gonna) Love Me Again - Rocketman (Elton John & Bernie Taupin)

Best original score - Joker – Hildur Guðnadóttir

Best cinematography - 1917 - Roger Deakins

Best visual effects -1917 -Guillaume Rocheron, Greg Butler & Dominic Tuohy

Best film editing - Ford v Ferrari - Michael McCusker & Andrew Buckland

Best sound editing - Ford v Ferrari - Donald Sylvester

Best sound mixing - 1917 - Mark Taylor & Stuart Wilson

Best production design - Once Upon a Time in Hollywood - Barbara Ling & Nancy Haigh

Best costume design - Little Women - Jacqueline Durran

Best make-up and hairstyling - Bombshell - Kazu Hiro, Anne Morgan & Vivian Baker

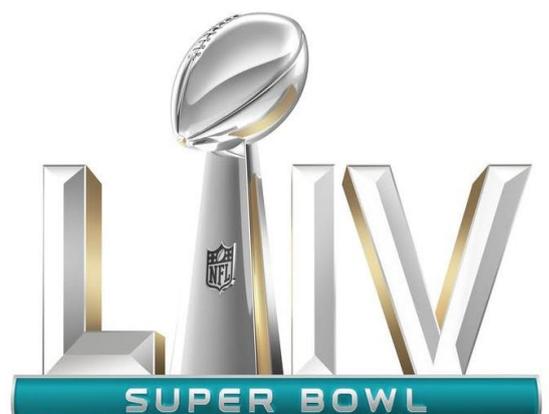
Best live action short - The Neighbors' Window

Best documentary short - Learning to Skateboard in a Warzone (If You're a Girl)

Best animated short -Hair Love

Kansas City Chiefs win Super Bowl LIV 2020

- On February 2nd, the Super Bowl LIV game took place at Hard Rock Stadium in Miami



Gardens, Florida. This marked the 11th Super Bowl game hosted by South Florida.

- The Kansas City Chiefs emerged the winner of the game after defeating the San Francisco 49ers with a score line of 31-20. This is the first time the Chiefs are winning the Super Bowl in 50 years.
- Superstars, Jennifer Lopez and Shakira, were the headliners of the halftime show. The show also witnessed guest appearances from Latin artists Bad Bunny and J Balvin.

Spartacus star, Kirk Douglas, dies at 103

- Hollywood legend, Kirk Douglas, died on February 5th at the age of 103 years. He was best known for his roles in movies such as 'Spartacus' and 'Champion'.
- He is survived by his wife Anne Buydens and three children. His first born, Michael Douglas, is also an award winning actor.



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Main Report

Economic Community of West African States (ECOWAS) sets up border committee

- At the 33rd edition of the African Union Summit, the heads of government of West African nations inaugurated a committee to review the impact of Nigeria's land border closure on neighboring countries.
- The Committee, which is headed by Burkina Faso's President, Roch Marc Christian Kabore, has the mandate to examine the countries affected by the closed borders.
- Nigeria also expressed its objection to the adoption of the Eco currency on the grounds of a likely extension of the kick off date, as most countries are yet to meet the convergence criteria.

Analysis & Outlook

Nigeria shut its land borders in August 2019 in a bid to curb the influx and illegal export of smuggled products including rice and petroleum products. As ECOWAS' biggest market, the closure of Nigeria's land borders has triggered severe hardship on neighboring countries that rely on Nigeria for their trading activities. A full report highlighting the impact of the closure would be followed by a recommendation for Nigeria to strengthen the capacity of its customs institutions. This would curb smuggling while keeping Nigeria's land borders open.

Business Update

(Review Period: February 3-12, 2020)

The Foreign Exchange Market

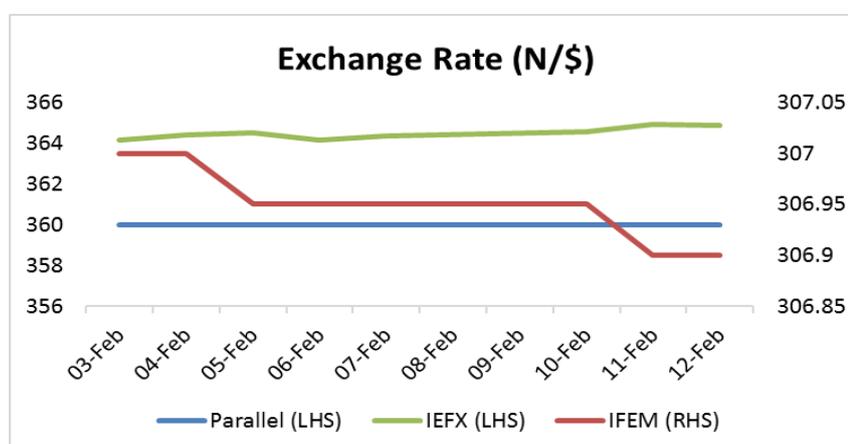
At the parallel market, the naira traded flat at N360/\$. The CBN intervened with a total of \$446.41mn, compared to \$253.38mn in the corresponding period in January. The currency appreciated by 0.21% and 0.25% against the pound and euro to close at N475/£ and N396/€ respectively.

At the interbank market, the naira appreciated by 0.03% to close at N306.95/\$. However, it depreciated at the IEFX window by 0.20% to close at N364.90/\$ from N364.17/\$ on February 3. During the review period, the total forex traded at the IEFX window rose by 28.87% to \$2.50bn from \$1.94bn in the corresponding period in January.

Gross external reserves continued its steady decline in the period. Reserves were down 1.14% (\$43bn) to \$37.45bn on February 10 from \$37.88bn on February 3. The current level of external reserves is equivalent to an import cover of 9.32 months.

Outlook and Implications

The depreciation of the currency at the IEFX window indicates mounting forex demand pressures. Thus, we could see the currency depreciate at the parallel market in the near term.



SOURCE: FDC Think Tank, CBN, FMDQ

The Money Markets

Average liquidity within the banking system declined sharply by 78.88% to N121.11bn in the period from N573.43bn recorded in the corresponding period in January. This was due to the CBN's CRR hike, which was aimed at mopping up the excess liquidity in the system. The bank recorded a negative opening position on February 12. Maturing OMO bills outweighed OMO sales resulting in a net inflow of N220.82bn. Total OMO sales stood at N128.20bn, while total OMO repayment was N349.02bn.

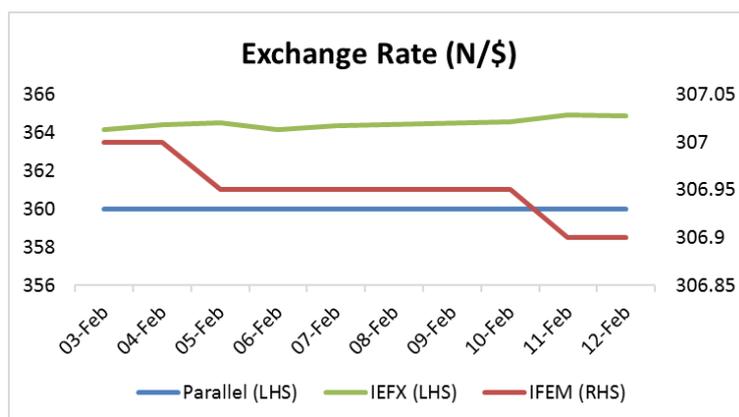
Short term interest rates (OB & O/N) rose sharply by 900bps and 924bps during the period to close at 12.50%pa and 13.47%pa respectively. This was partly due to the decline in market liquidity.

There was a primary market auction on February 12th of approximately N154.38billion. 91-day and 182-day tenors declined by an average of 50bps while the 364-day tenor increased marginally by 4bps to close at 6.54% pa.

In the secondary market, the 91-day, 182-day and 364-day tenors increased by an average of 26.33bps to 3.91% pa, 3.75%pa and 4.15%pa respectively.

Nigerian interbank treasury true yields (NITTY) declined by an average of 33.5bps across the 90-day and 180-day tenors and rose by 4bps for the 30-day tenor during the review period.

Tenor	NITTY rates at February 03, 2020 (% pa)	NITTY rates at February 04, 2020 (% pa)	Change
30-day	3.02	3.06	4bps
90-day	3.30	3.03	-27bps
180-day	3.97	3.57	-40bps



SOURCE: FDC Think Tank, CBN, FMDQ

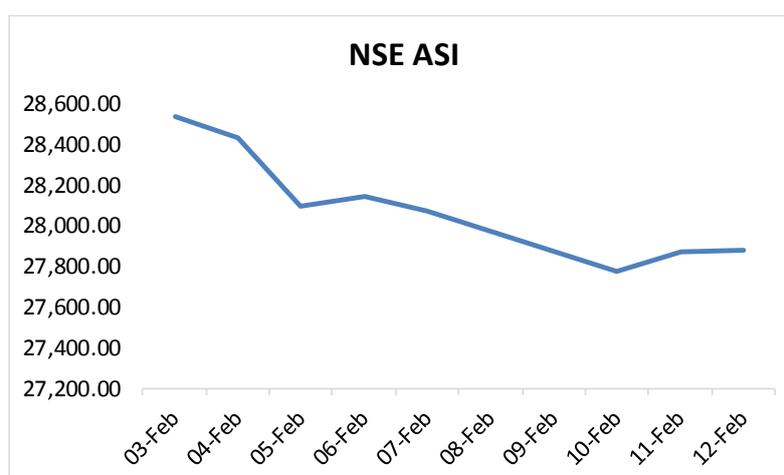
Tenor	Secondary market rates at February 03, 2020 (% pa)	Secondary market rates at February 12, 2020 (% pa)	% change	Primary market rates at January 29, 2020 (% pa)	Primary market rates at February 12, 2020 (% pa)	% change
91-day	3.35	3.91	0.56	3.5	3.0	-0.5
182-day	3.67	3.75	0.08	4.5	4.0	-0.5
364-day	4.00	4.15	0.15	6.50	6.54	0.04

The Stock Market

The NSE ASI declined by 2.30% to close at 27,878.43 points on February 12 from 28,533.40 points on February 3. Similarly, market capitalization dipped by 1.22% to N14.52 trillion by the end of the review period from N14.70 trillion on February 3. The market's current year-to-date return is 3.86%. The market recorded three positive trading days and five negative days within the review period. The continuous decline was partly due to reduced demand for equities as interest rates increase.

Outlook & Implications

We expect the demand for equities to remain low in the near term. However, the release of positive corporate earnings could drive a bullish market sentiment.



SOURCE: NSE

The Commodities Market

- **Brent prices** rose by 0.50% to \$54.72pb from \$54.45pb recorded on February 3rd. This was due to expectations of OPEC cutting supply to boost oil prices.

Outlook & Implications

- Oil prices are expected to remain around current levels despite OPEC's plan to reduce supply. Reduced oil receipts will adversely affect the country's fiscal and external balance.
- **Natural gas prices** declined by 1.10% to close at \$1.80/mmbtu. This was partly due to increased supply of LNG from the US.

Outlook & Implications

- We expect LNG prices to decline further in the coming weeks due to increased production in the US. LNG is a major export commodity in Nigeria, a decline in price will negatively affect the balance of trade.
- **Corn prices** increased marginally by 0.13% to close at \$379.25/bushel from \$378.75/bushel on February 3rd. This was due to the drought in Zimbabwe and production shortage from Brazil.

Outlook & Implications

- Lower supply from Brazil and Zimbabwe will continue to drive prices higher in the coming weeks. If this happens, production cost for domestic firms who depend on the importation of corn will increase.
- **Wheat prices** declined by 2.75% to \$540.25/bushel from \$555.50/bushel on February 3rd. This was due to ample global supply, coupled with reduced demand from China.

Outlook & Implications

- Wheat prices are expected to continue the bearish trend. Lower wheat prices will reduce Nigeria's import bill.

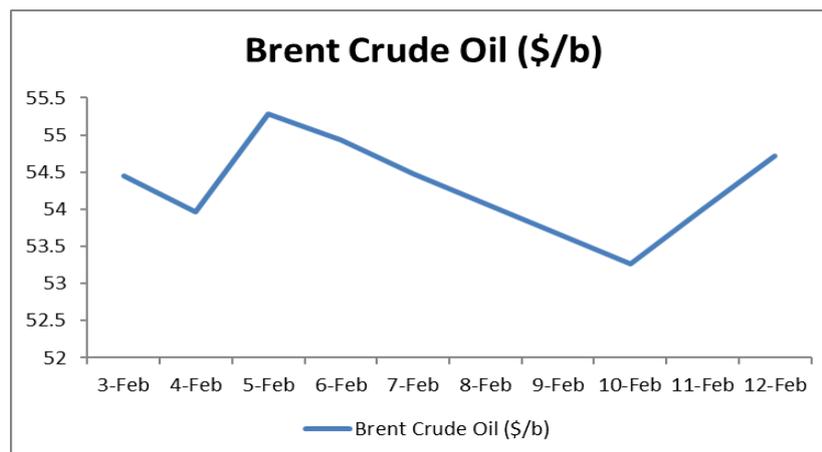
- **Sugar prices** rose by 1.01% to close the review period at \$15.04/pound from \$14.89/pound. This was partly due to the ban on sugar exports in Pakistan and continued decline in production from India.

Outlook & Implications

- We expect prices to remain high in the near term due to production cuts in India and the sugar export ban in Pakistan. Nigeria is a major importer of sugar, thus, higher prices will adversely affect its import bill.
- **Cocoa prices** increased by 4.35% to close at \$2,876/mt due to harsh weather conditions in Ivory Coast, the top producer of Cocoa.

Outlook and implications

- Global demand for cocoa still outweighs its supply. Hence, we expect cocoa prices to remain high in the near term. This will lead to increased export gains for Nigeria.



SOURCE: Bloomberg, EIA, Newsnow

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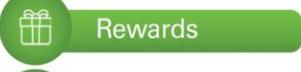
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Unity Bank Partners with Cashew Farmers to Boost Production, Export

Unity Bank Plc has partnered with Nigerian cashew farmers under the auspices of the Association of Cashew Farmers, Processors and Aggregators of Nigeria, ACFAP, to boost production and drive export.

The bank, which is reputed for its focus on the Agribusiness value chain, partnered with ACFAP to host stakeholders' and export summit intended to promote cashew processing and exports in Nigeria.



Nigeria is currently the 6th largest producer of cashew in the world, with the country producing an estimated 350,000 metric tons of cashew nuts and generating over \$813 million in foreign exchange earnings over the past three years, according to the Minister of Agriculture, Sabo Nanono who delivered a keynote address at the summit.

The bank's partnership is expected to provide funding opportunities for farmers to boost production to about 500,000 metric tons over the next three years.

Speaking on what inspired the bank's partnership, the Managing Director/CEO of Unity Bank Plc, Mrs. Tomi Somefun stated that the support of ACFAP reinforces the bank's long-standing commitment to the provision of funds for commercial farming, out-growers' schemes for small holder farmers and various commodity associations.

"The summit has enabled us to re-engage with stakeholders to better appreciate where funding needs are most required now and in the medium term, to optimally develop the sub-sector for the benefit of the economy at large," said Somefun who was represented by the bank's Head of Agribusiness, Mrs. Patricia Ahunanya.

Somefun explained that through active participation in the Central Bank of Nigeria's intervention funds and other initiatives, Unity Bank has been at the forefront of supporting smallholder farmers with the objective to drive the federal government's agenda which is to diversify the economy through growth promotion in the agricultural sector and its value chain.

Unity bank has a strategic business objective anchored on Agriculture, Retail/SME and Rural Development and has developed a successful business model that enables it to facilitate strong support initiatives to major commodity associations such as RIFAN, NACOTAN, MAAN, WFAN, SOYBEANS FARMERS ASSOCIATION, etc., to effectively reach out to individual players in Agribusiness.



Lifestyle

Easy Steps to Start Organizing Your Finances

Culled from the Balance¹

A Step-by-Step Guide to Organized Money Management

Living frugally means being in control of your finances. Managing your personal finances can sometimes feel like a full-time job as your life continues to get busier—with saving money while grocery shopping, clipping and using coupons, and finding ways to cut costs with do-it-yourself projects—some of those personal finance "to do's" may fall by the wayside.

Learn how to organize your income and expenses in a way that contributes to your financial success. This guide will help you to set financial goals, track your spending, create a budget, and determine your net worth.

Set Financial Goals



To get your finances in order, you first need to decide what you hope to accomplish. Do you want to save for your retirement, a vacation, your child's college education, a new car, or a house? Do you hope to pay off debt or build up an emergency fund? Spend some time identifying your financial goals—big and small—and put them on paper.

A financial plan can help you get ready for retirement, buy your first home, and start a family (if you want one). Take the time to plant the seeds for your future by creating a plan with clear goals and a specific timeline.

¹<https://www.thebalance.com/organize-your-finances-1389025>

Track Your Spending



Do you know how much you spend each month? If not, now is the time to find out. Track your spending over a one-month period to find out exactly where all of your money goes. Are you spending too much on incidentals like coffee and vending machine snacks? Are you falling behind on your

savings goals or spending more than you make? By the end of the month, you should have an answer to all of these questions.

Create a Budget



Once you've established a list of financial goals and have taken a close look at your spending habits, it's time to create a budget that reflects how you want to spend your money. To create an effective budget, start with a budget worksheet, where you'll gather all of your financial statements, record your sources of income, create a list

of monthly expenses, and make adjustments to those expenses.

Then, you'll want to learn how to budget your annual spending and break that down to develop a monthly spending plan.

Determine Your Net Worth



Your net worth—the total of all your assets minus your liabilities—can tell you a lot about your current financial health, and help you to plan for your financial future. Find out what your net worth is now. Then, get in the habit of recalculating the net worth yearly or whenever there is a significant change to your finances.

It might be tempting to skip this step, but determining your net worth may be the most important part of organizing your finances. Your net worth is the cash you would pocket if you were to sell everything you own and pay off all your debts. If you take a hard, honest look and determine this simple figure, you can then work backward to create a budget, set financial goals, track your spending, and, ultimately, take control of your finances.

Contact

Would you like to open an account with us?

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