

OPEC+ cuts oil output - Markets Unimpressed



Economic News

Social

Lifestyle

Unity Bank Digest

April 16, 2020

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OPEC (+) agrees to historic output cut - 10% of global supply



But it's never enough until the fat lady sings!

Initially, what started as a price leadership war between Saudi Arabia including OPEC and Russia outside OPEC, deteriorated into a near global market catastrophe. However, with US and Mexican intervention, the markets saw a semblance of sanity. Like most imperfect markets of which OPEC represents an oligopoly, the transition towards efficient pricing is always a treacherous route. In the end, an agreement was reached and 10% of global supply was cut. However, because of slowing demand due to the economic paralysis and projections that airlines and summer time demand will fall further, has put pressure on prices once more. There would be no steep recovery in prices but the good news is that Nigeria is using a benchmark of \$30pb.

What has covid-19 done to you?



Global

Oil Markets

- Oil prices plunge (\$28.43pb) despite historic output cut
- Demand/supply imbalance
- Oil traders battle supply storage

Health

- Over 2million cases with 100,000 casualties
- Flooded hospitals
- Stretched health care workers and facilities, still no vaccine

Stimulus packages

- About 12% average of global GDP in advanced economies

Economic Outlook

- Global economy to contract to 3% (IMF)



SSA

Health

- Weak health care infrastructure
- Low testing capacity

Stimulus packages

- Approximately 0.4% of regional GDP

Economic Outlook

- GDP growth to contract to 1.6%



Nigeria

Oil

- Weak fiscal and external revenues due to plunge in oil prices and production cut
- Oil production quota could fall to 1.47mbpd, from 1.7mbpd
- External reserves below \$35bn (\$34.40bn) - indicates weak government buffers

Health

- Health care crisis before covid-19, now aggravated by covid-19

Economic Outlook

- Economy to contract to 3.45% (2020)

As of today, this is the Covid-19 Dashboard

Total Cases - 2,097,101



Casualties - 135,662

Recovered - 523,365

	Infected	% of Total	Fatalities
Africa	18,082	0.86	915
Europe	980,015	46.73	89,161
Asia	337,177	16.08	12,249
America	644,348	30.73	28,554

What you need to know

- Global growth is projected to shrink by 3%
- FDA authorized chloroquine as a test drug
- Nigeria seeks concessionary funding from multilateral institutions
- FGN seeks debt relief from China

Tips on how to stay safe

- Wash your hands regularly
- Maintain social distancing
- Avoid touching eyes, nose and mouth
- Practice respiratory hygiene
- Stay informed and obey rules and regulations by health authorities

The Highlights

Nigeria seeks \$7 billion from international agencies to cushion fallout from COVID-19

The Nigerian federal government is seeking approximately \$7 billion from multilateral institutions to mitigate the negative impact of COVID-19 outbreak on the Nigerian economy. A breakdown of the total loan amount indicates that the government is sourcing \$3.4 billion from the International Monetary Fund (IMF), \$2.5 billion from the World Bank and \$1 billion from the African Development Bank (AfDB). A total of \$150 million is also being sourced from the Nigeria Sovereign Investment Authority (NSIA) in order to support the FAAC disbursement for June 2020. The covid-19 concessionary funding would be at 1%pa rate of interest, 3.25 years moratorium and a 5 year repayment plan. According to the Minister of Finance, Budget and National Planning, Mrs. Zainab Ahmed, a N500bn covid-19 crisis intervention fund has been established and Nigeria has considerably lower fiscal buffers this year compared to the previous economic downturns of 2008/2009 and 2015/2016.

March Purchasing Managers' Index (PMI) slips into contraction region

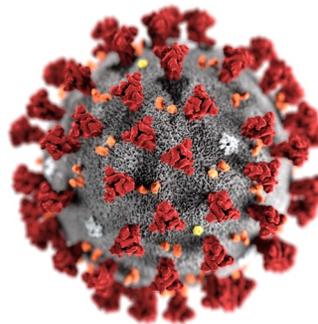
The FBN PMI declined by 7.35% to 47.9 points in March from 51.7 points in February. This brings the average PMI in Q1 to 51.07 points, 9.2% lower than the average of 56.27 points recorded in the preceding quarter. This is the first time the index contracted (i.e. below 50 points) since July 2019. The decline can be partly attributed to the slowdown in activities resulting from the spread of COVID-19. We expect the PMI to contract further in the coming months as the domestic and global lockdowns continue to constrain both demand and supply side activities in the economy.

FGN seeks debt relief from China

The Federal government recently announced its plans to seek debt relief from China instead of suspending interest payment on Eurobonds. According to the minister of finance, the government plans to discuss with China to defer interest payments on bilateral loans. The DMO holds that Nigeria paid \$771mn worth of interest on its Eurobonds in 2019 compared to \$329mn in debt service to multilateral creditors. Meanwhile, about 50% of Nigeria's external debt is with multilateral institutions. The country's loan with the World Bank is approximately \$10bn, followed by the Export-Import Bank of China with \$3.2bn and Eurobonds making up \$10.86bn of external debt.

Disney to furlough staff members from April 19

Walt Disney Company announced on April 2 that it will lay off employees whose services are not necessary at this time of harsh economic conditions and companies shutting down. The layoff is scheduled to begin April 19. Disney was badly hit by the virus as its theme parks, retail stores and cruise lines were closed. Films, TV production and movie releases came to a crushing halt amid the spread of the pandemic. The entertainment giant, with over 200,000 employees, is yet to provide a specific number of jobs at risk.



FDA authorizes the use of chloroquine as test drug for COVID-19

The US Food and Drug Administration granted the emergency use of two anti-malaria medications to treat COVID-19. The drugs, which are chloroquine phosphate and hydroxychloroquine, were approved based on lab tests and limited studies in humans. The aim is to clear and relieve the acute respiratory symptoms of the virus in infected patients. While this announcement does not include long-term use of the drugs, it has triggered stockpiling and hoarding by hospitals and countries who produce them. The response by hospitals could cause drug shortages and with the mortality rate of malaria higher than that of the virus, a malaria crisis could occur in countries like Nigeria that records over 300,000 malaria deaths annually.

DPR instructs oil & Gas firms to cut offshore staff

The Department of Petroleum Resources in Nigeria has instructed all oil and gas companies to reduce staff members at sites to prevent the spread of the covid-19 virus. The directive came after the Nigerian Ports Authority announced six cases of the virus among their workers on the Siem Marlin offshore rig. The regulatory body also urged the firms to ensure the safety of workers, maintain social distancing and proper hygiene at all times. The director of DPR mentioned that the situation is a "force majeure" meaning that all operators will be given license extensions because of lost drilling time. It was also emphasized that all operators and contractors should ensure strict compliance to the directive and all other relevant instructions by the government.

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Language Options: English, Yoruba, Hausa & Igbo.

Social Corner



2020 Forbes Billionaires List

- In its 34th annual world's billionaires list, Forbes ranked 2,095 billionaires based on their net worth. The combined net worth from this year's ranking is \$8trillion compared to \$8.7trillion in the preceding year.
- Amazon's CEO, Jeff Bezos maintained the top spot for the third consecutive year. This is despite the decline in Bezos' net worth to \$113billion from \$131billion last year. Other high ranking billionaires on the list include Bill Gates (net worth of \$98billion), Bernard Arnault & family (\$76billion) and Warren Buffet (\$67.5billion).
- Three Nigerian billionaires made the 2020 list:

#162 Aliko Dangote (\$8.3billion)

#286 Mike Adenuga (\$5.6billion)

#712 Abdulsamad Rabiu (\$2.9billion)

Social Corner

Kobe Bryant enlisted into 2020 Hall of Fame

- Five-time NBA champion Kobe Bryant has been posthumously named to the Naismith Memorial Basketball Hall of Fame.
- Other players joining Bryant in the Class of 2020 are Tim Duncan, Kevin Garnett, and Tamika Catchings. The Class of 2020 is scheduled to be enshrined on August 29 in Springfield, Massachusetts.



FIFA approves extended player contracts and postpones transfer windows

- Amidst the Covid-19 pandemic, the FIFA bureau has endorsed a new set of guidelines. The guidelines include a recommendation that existing contracts to expire by the end of June should be extended as well as an extension of transfer windows beyond the end of August.
- FIFA also mentioned that it would encourage clubs and players to combine efforts in finding agreements and solutions while the season is suspended.
- The federation addressed the financial issues, explaining that the game would have to deal with an unexpected revenue decline whilst implementing practical ideas to minimize the effect of the virus and keeping a united front to face the challenging times ahead.

Main Report

OPEC and its allies agreed to further output cuts of 9.7mbpd

- At its emergency meetings on April 9 and 12, OPEC and its allies agreed to revise downwards their overall production by 9.7mbpd starting from May 1.
- At the meeting, Saudi Arabia and Russia called a truce and agreed to lead a global coalition of a historic oil production cut. This is coming in response to the slump in oil prices amid the COVID-19 pandemic and their price feud.
- Although Mexico delayed the deal on Thursday, it eventually came around on Sunday after Trump intervened to resolve the Saudi-Mexico deadlock.

Fitch downgrades Nigeria to B—Negative Outlook

- Fitch Ratings has downgraded Nigeria's long term foreign currency Issuer Default Rating (IDR) to 'B' from 'B+'.
- The credit rating agency cited increased pressure on Nigeria's external buffers and unstable monetary and exchange rate policy environment as the key drivers of the negative outlook.
- The agency revealed that the recent policy adjustments by the CBN is not enough to make up for the steady depletion in external reserves (now below \$35 billion).



Outlook & Implications

This action by the cartel will balance the oil markets and support oil prices in the coming months. Higher oil prices will bolster oil revenue for oil producing states including Nigeria. However, Nigeria could be forced to adjust its oil production benchmark again to 1.5mbpd from 1.7mbpd.

Outlook & Implications

The downgrade is likely to raise Nigeria's debt service cost and trigger exchange rate volatility. The downgrade is highly detrimental to investor confidence and foreign capital inflows into the country.

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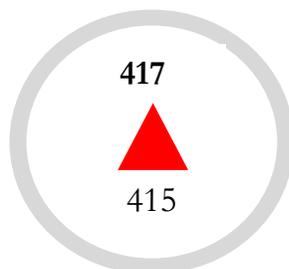


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Business Update

(Review Period : March 30th - April 14th, 2020)

The Foreign Exchange Market



Forex: Parallel (₦/\$)



Forex: IEFX (₦/\$)



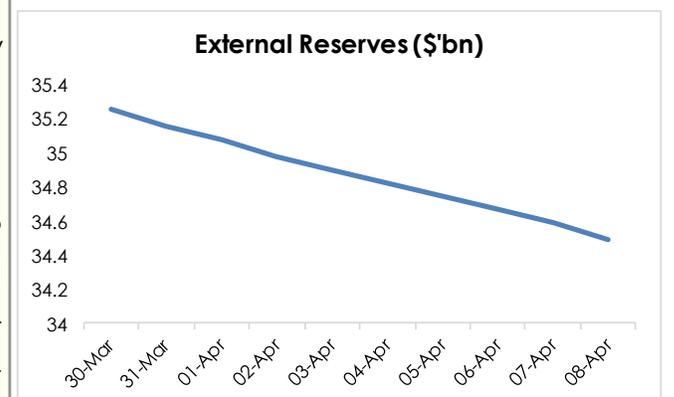
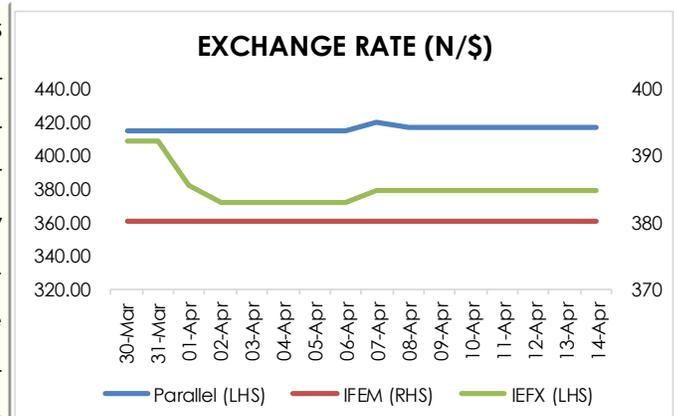
External Reserves (\$/bn)

Speculative activities and scarcity of dollars in the forex market continue to put the naira under intense pressure despite the currency adjustment of N360/\$ and N380/\$ at the parallel market and the IEFX window respectively by the CBN. During the review period, the currency depreciated by 1.20% to N420/\$ on April 7 before strengthening marginally to close at N417/\$ in the parallel market. The currency appreciated by 1.87% at the IEFX window.

External reserves depleted by 23.18% to a 10-month low of \$34.49bn on April 8.

Outlook & Implications

We expect the naira to trade at current levels due to the persistent scarcity of dollars, reduction in naira card limits and tapered demand for forex. The steady decline in external reserves and will also put the naira under pressure in the near term.



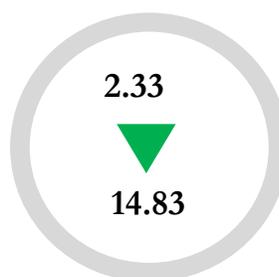
The Money Markets

Average liquidity within the banking system stood at N480.21bn compared to N378.55bn in the second half of March. Naira liquidity in the system increased due to a net inflow of N351.93bn. There was an OMO sale on April 9 and only the 341-day tenor was offered at a stop rate of 12.80%p.a.

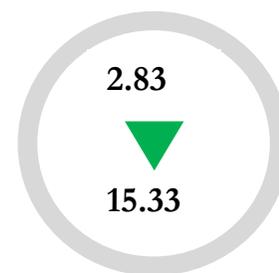
NIBOR (OBB/ON) rates declined by an average of 1250bps to close at 2.33%pa and 2.83%pa respectively from March 30.

Outlook & Implications

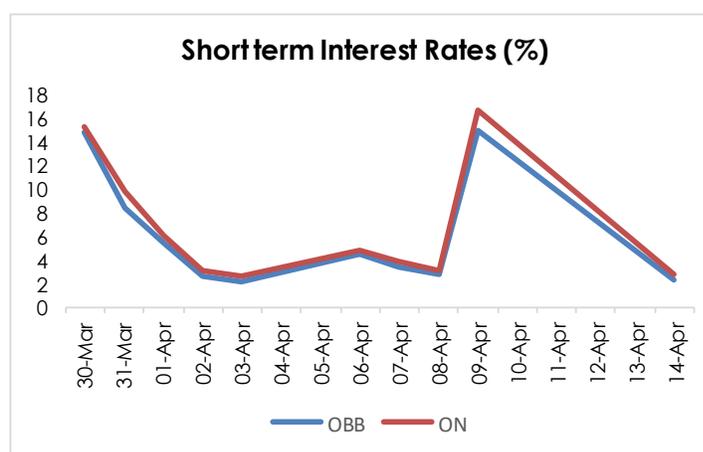
We expect the interbank interest rates to persist at current levels pending any significant inflows into the market to alter the trend.



NIBOR: OBB (%p. a)



NIBOR: O/N (%p.a)



On April 09, there was an OMO auction of N39.35bn, only the 341-day tenor was offered

Tenor	Secondary market rates at March 30 2020 (% pa)	Secondary market rates at April 14, 2020 (% pa)	change	Primary market rates at March 18, 2020 (% pa)	Primary market rates at April 01, 2020 (% pa)	change
91-day	2.20	2.16	-4bps	2.30	2.20	-10bps
182-day	3.82	2.90	-92bps	3.40	3.20	-20bps
364-day	4.50	3.91	-59bps	4.60	4.30	-30bps

The Stock Market

21,879.95



21,330.79

NSE ASI

11.40



11.12

Market Cap. (N'trn)

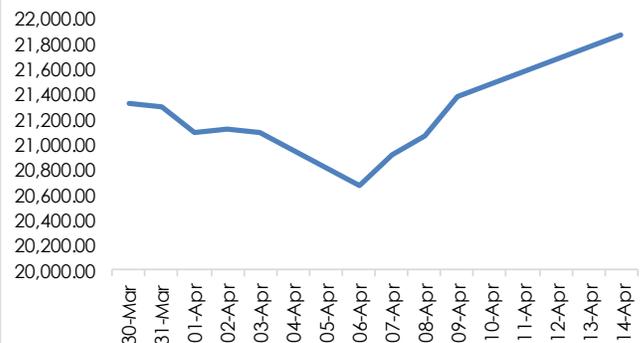


The NSE ASI gained 2.57% in the review period. The market started on a bearish note due to the negative investor sentiments that surrounded the market. Although, as bargain hunting began, the market reversed the declining trend from April 6. The YTD loss is 18.49%

Outlook & Implications

With companies closed amid the lockdown, market performance is set to decline in the near term. Also, the ongoing skeletal trading and tepid investor confidence will adversely affect the market.

NSE ASI



The Commodities Market

Brent prices (\$/b)



32.12



22.76

Outlook & Implications

Oil prices are expected to pick up on further oil production cuts. Brent price is likely to trade steadily above \$30pb and this would be positive for Nigeria's oil receipts and fiscal revenues.

Natural gas (\$/mmbtu)



1.72



1.69

Outlook & Implication

As a cooler weather approaches in the US demand for LNG will increase. Therefore, we expect an uptick in LNG prices.

Corn (\$/bushel)



Outlook & Implications

We expect corn prices to taper in the near term due to an expected increase in US corn acreage and lower demand for grain based ethanol production.

Wheat (\$/bushel)



Outlook & Implications

Wheat prices are expected to rise in the coming period amid strong global demand for the increased production of bread. Higher prices would inflate Nigeria's import bill.

Sugar (\$/pound)



Outlook & Implications

Prices are expected to increase if the sugar crisis in Pakistan lingers. Increased sugar prices will push up imported inflation in the country.

Cocoa (\$/mt)



Outlook & Implications

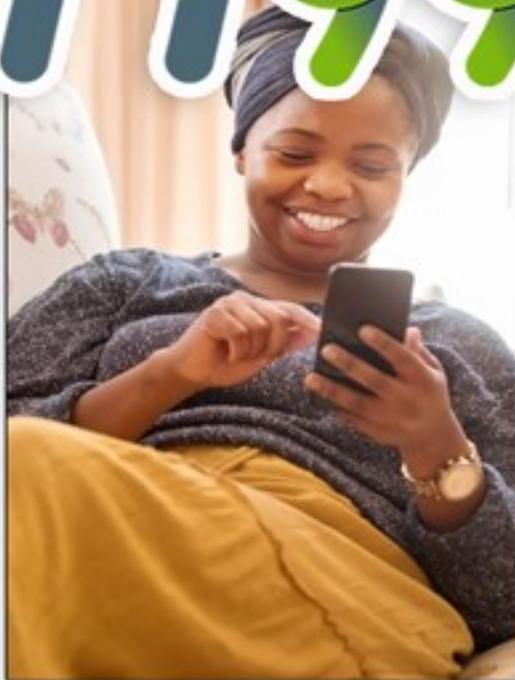
Tightened supply from West Africa is expected to support cocoa futures in the coming term. This could boost Nigeria's export earnings.

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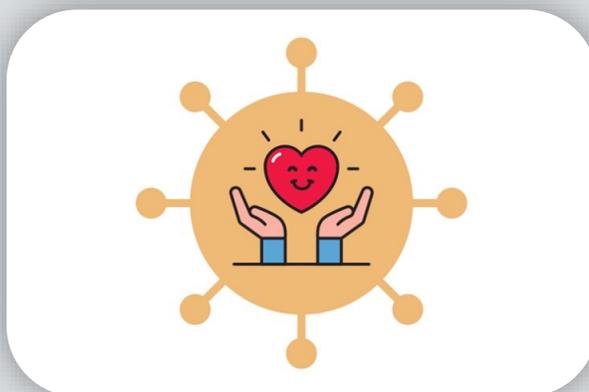
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How to take care of your mental health during the COVID-19 pandemic

Culled from European Pharmaceutical Review



The Covid-19 pandemic is creating stress for the global population. Empty store shelves, fear about the disease and quarantine or self-isolation can negatively impact depression and anxiety. The mental health implications of this unprecedented situation will impact everyone differently, leading clinical psychologists to offer a guide on how to support and manage one's mental health and that of others during these times.

"Global concern about coronavirus means it's very important to keep the normal routine as much as possible when it comes to sleep, nutrition and exercise, particularly in people with existing mental health problems," says Daniel Mansson, clinical psychologist and co-founder of Flow Neuroscience which compiled the guidance. "In the current situation, finding ways to maintain your normal routine is essential to reducing stress and potential depressive thoughts that may appear."

Filter news and social media

Constant news about the pandemic can feel relentless and may exacerbate existing mental health problems. Be careful about the balance of watching important news and the news that could cause you to feel depressed and disrupt your mental health. Seek trusted information, such as the National Health Service (NHS) website, at specific times to take practical steps to protect yourself and loved ones. Have breaks from social media and mute triggering keywords and accounts.



Talk openly about mental health

Some people might feel that talking about their depression and anxiety requires no additional attention during these times – people should be encouraged to talk about their feelings. Various support help lines are available as well as mental health crisis services.

Eat an 'anti-depression diet'

Anxiety is likely to increase during the current crisis, but a well-nourished body is better at handling stress. Traditional Mediterranean food, sometimes referred to as the 'anti-depression diet', for its antioxidant and anti-inflammatory properties, includes whole grains, vegetables (particularly green leaves), fruit, berries, nuts (including almonds), seeds and olive oil to look after your mental health.

Get therapeutic sleep

Ninety percent of depressed people struggle with sleep, which is likely to increase with fears over the coronavirus. Good quality sleep is a form of overnight therapy and increases the chance of handling strong emotions effectively. Try to wake up and go to bed at the same time every day. Achieving eight hours of sleep, taking a hot bath, setting the bedroom temperature to 18°C and having no screen time two hours before bedtime will also help.

Exercise as a depression treatment

With months of the coronavirus pandemic ahead, it is important to keep exercising. Clinical studies show that regular exercise produces chemicals, such as dopamine and serotonin, which are as effective as antidepressant medication or psychotherapy for treating milder depression. Most people will not have access to a gym during the crisis, so it is important to create a daily exercise routine at home. Experts recommend between 30-40 minutes of exercise, three to four times a week to work up a sweat. People with depression often struggle with exercise, so start small with a 10-minute walk, then add a few minutes daily.

Contact

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