



DISTRACTED LEADERS

&

CONFLICTED POLICY MAKERS

**Presented by Bismarck Rewane
CEO, Financial Derivatives Company Ltd.
April 06, 2022**

The Calm Before the Storm....

Insecurity

**Mounting
Debt**

Poverty

**Weak
Currency**

Inflation

**FG Cash
Strapped**

Outline

1. *March – Short War With
Long Term Implications*

2. *Flying Rockets &
Flourishing Investors-
Shrugging Off the Sanctions*

3. *Domestic Economy—
Manufacturers Stampede Ahead of
Political Showdown or Lockdown*

4. *Policy Makers- Distracted
Leaders & Conflicted Regulators
(Open Season in Abuja)*

5. *Confused Markets and
Fleeing Investors*

6. *Market Proxies*

7. *April Outlook*





Short War, Long Term Pain

Ukraine Vs Russia - Short-term War with Long-term Implications

- ✓ Russian/Ukraine war likely to be short-lived, or maybe not
- ✓ Although claims of war crimes by Russian troops are stifling hopes of a short-lived war
- ✓ 410 civilians reported dead after alleged civilian massacre in Bucha
- ✓ Ukraine alleges genocide but Russia denies killings
- ✓ The war will have a long-lasting impact on the global economy
 - ✓ EU, Russia, Egypt & OPEC in particular
 - ✓ Will also affect import-dependent African nations like Nigeria
 - ✓ Russia is among Nigeria's top 10 import trading partners

Ukraine Vs Russia - Short-term War with Long-term Implications

Implications for Russia	Implications for Ukraine
<ul style="list-style-type: none"> ✓ Stigmatization ✓ Investors will remain wary and extract a premium for Russia risk ✓ Oil production will be flat and oil price will fall <ul style="list-style-type: none"> ✓ Likely Iran deal ✓ Venezuela coming on board ✓ Release of strategic reserve by the US and EU 	<ul style="list-style-type: none"> ✓ There will be a huge economic cost <ul style="list-style-type: none"> ✓ Massive infrastructural deficit ✓ Loss of manpower ✓ Health challenges ✓ Climate damage – negative impact on agric production ✓ Widening fiscal gap as government expenditure increases amid constrained revenue

Implications for Nigeria

Impact on Nigeria

- ✓ Prevailing humanitarian, energy & food crisis will have a debilitating impact on Nigeria
- ✓ Price of imported food commodities to rise
 - ✓ Especially wheat and maize
- ✓ Russia and Ukraine both account for approx. 29% of global wheat exports
- ✓ In 2020, Nigeria imported goods worth \$1.24bn from Russia
- ✓ And \$156.08mn from Ukraine
- ✓ Derail the Ajaokuta Steel deal with huge costs overruns
- ✓ The Warri-Itakpe-Abuja rail project will be suspended

Implications for the Rest of the World

Impact on the Rest of the World

- ✓ Mild impact on the rest of the world
- ✓ Lower oil supply from Russia means oil prices are likely to remain relatively high
 - ✓ Limited by improved supply prospect
- ✓ Cost pressures to keep inflation spiraling
- ✓ Will dampen global economic recovery
- ✓ World Bank has revised Asia's 2022 GDP growth forecast to 5% from 5.4%

Political Impact of the War



US mid-year elections

*Democrats were bound to lose but
Ukraine is a lifeline*



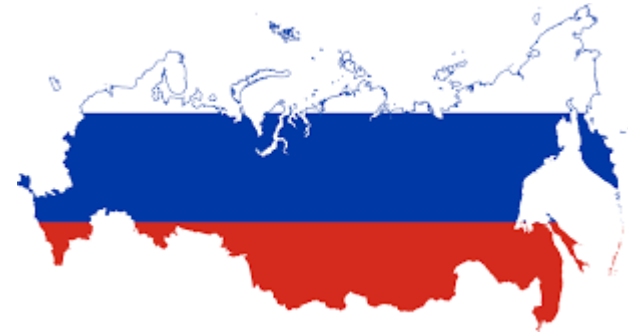
UK

*Boris Johnson was left for dead now has
a lifeline*



France

*Macron was a gonner but now he might
be in an upswing*



Russia

*Putin was as smug as they come but now
he is on the ropes*

Inflation Spiral to Persist as Commodity Prices Remain Elevated

Global



US ↑ 7.9%



UK ↑ 6.2%



EU ↑ 7.5%



Russia ↑ 9.2%



Nigeria ↑ 15.7%

Regional



S/Africa ↔ 5.7%



Ghana ↑ 15.7%



Kenya ↑ 5.56%



Rwanda ↑ 4.2%

***770**








Start now. Dial *770#










Contact Us: trueserve@fidelitybank.ng

Fidelity Bank Plc

Implications for Nigeria

Some Key Commodities	February	March	% Change
Oil	\$97.93pb	\$104.71pb	6.92 
Aluminum	\$3,368.50/tonne	\$3,491/tonne	3.64 
Wheat	\$934.00/bushel	\$1,006.00/bushel	7.71 
Corn	\$690.75/bushel	\$748.75/bushel	8.40 
Sugar	\$17.70/pound	\$19.49/pound	10.11 
Ethanol	\$2.16/galloon	\$2.47/galloon	14.35 
Gas	\$4.40/mmbtu	\$5.65/mmbtu	28.41 
Average			11.36

Key Import Partners	Inflation rate	
China	0.9%	
Belgium	8.31%	
India	6.07%	
Netherlands	6.2	
United States	7.9%	
Norway	3.7%	
Ukraine	10.7%	

- ✓ Five of Nigeria's seven top import partners are grappling with rising inflation
- ✓ Also, key import commodity prices have risen significantly

Commodities Outlook- Industrial Raw Materials

Crude oil



- ✓ Oil prices will remain elevated throughout 2022
- ✓ An average of above \$115/barrel
- ✓ Russia's invasion of Ukraine will continue to cause disruption in global supply
- ✓ OPEC+ (excluding Russia) will continue to raise production
- ✓ However, production would be lower than the stated targets
- ✓ Demand will still exceed supply

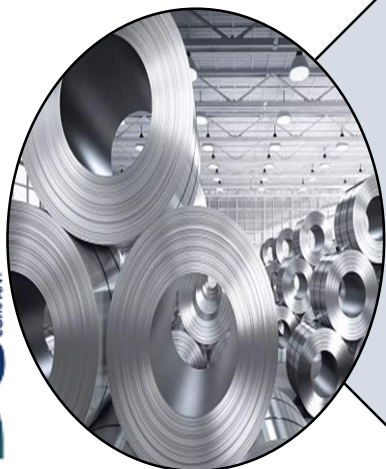
Copper



- ✓ Copper price is expected to rise by 9% in 2022, after an estimated surge of 51% in 2021
- ✓ The demand is supported by rapid growth in the EV industry
- ✓ The downside risk to demand is the likely decline in economic activities in China (the largest market for copper) as they re-impose lock down

Commodities Outlook – Industrial Raw Materials

Aluminum



- ✓ Aluminum prices will surge by nearly 40% in 2022
- ✓ As the market goes independent of supplies from Russia (second-largest producer)
- ✓ US import tariffs on aluminum products will continue to exacerbate the divergence in prices

Base metal



- ✓ Base metal prices are expected to surge in the first half of 2022
- ✓ As market scrambles to replace lost supplies from Russia
- ✓ Supply constraints coupled with slowing industrial activity in China will keep base metal prices high in 2022

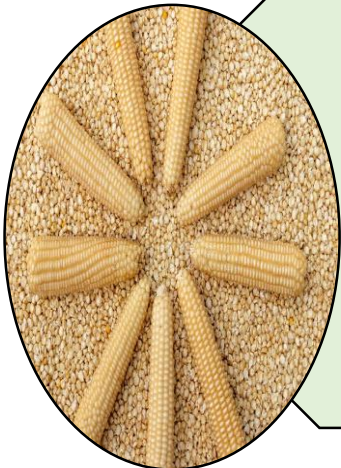
Commodities Outlook – Food and Beverages

Wheat



- ✓ The grain price sub-index will increase by about 30% in 2022
- ✓ Against an initial forecast of 7.3%
- ✓ Russian-Ukraine war has intensified supply shock of wheat to world
- ✓ The price of wheat will remain above US\$400/tonne throughout 2022

Corn



- ✓ The price of corn surged by 16% in February 2022
- ✓ Extremely dry weather in South America coupled with worries about war in the Black Sea region
- ✓ Maize prices will remain above US\$300/tonne until the next US harvest in 2022/23



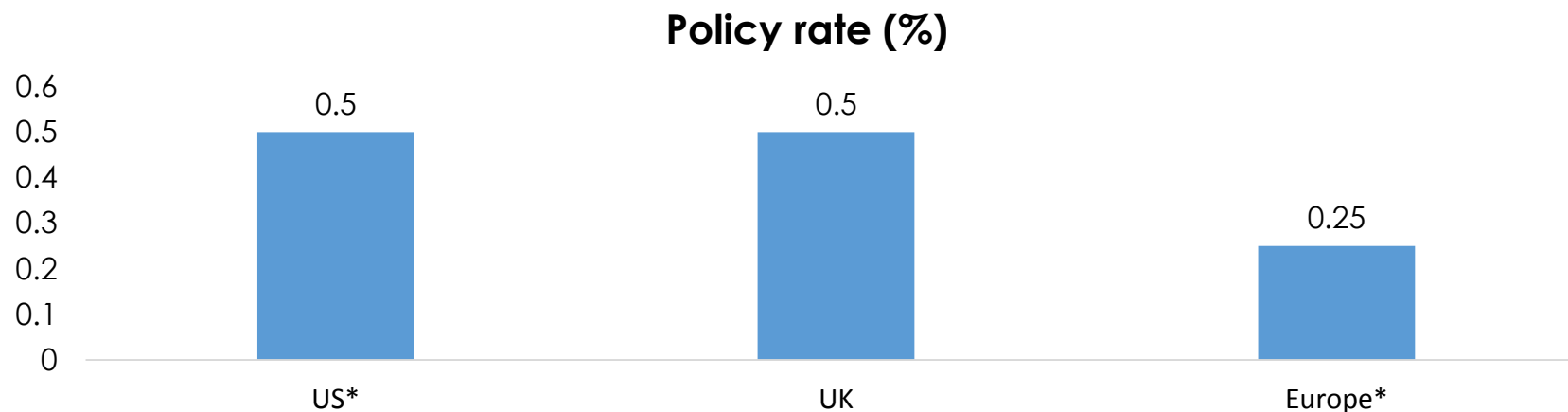
Flying Rockets & Flourishing Investors

Russia Shrugs Off Threats of Fresh Sanctions

- ✓ Possible war crimes puts Russia at risk of fresh sanctions
 - ✓ France, US and EU threaten more sanctions
 - ✓ Macron calls for ban on Russian oil & coal
- ✓ However, Russia appears unmoved
 - ✓ Says world much larger than Europe
 - ✓ Imposed visa restrictions on citizens of unfriendly nations
- ✓ Some Russian troops could be repositioning and not withdrawing – **NATO**

An Era of Monetary Policy Tightening

- ✓ Most Central Banks going into another cycle of tightening
 - ✓ To contain inflationary pressures
- ✓ US Fed raised its policy rate by 25bps to 0.5%p.a
 - ✓ Hints on six more rate hikes this year
- ✓ Debt service burden for developing economies like Nigeria to increase
- ✓ Nigeria raised \$1.25 bn at 8.37%p.a for a 7-year paper



Inverted US Yield Curve Suggests Likely Global Recession

- ✓ The US yield curve has shown a rare inversion
 - ✓ The first time in 16 years
- ✓ Investors are wary of a likely recession due to high interest rates
- ✓ As investors bet on an aggressive rate hike momentum by the US Fed
- ✓ U.S. unemployment rate fell to 3.6% in March from 3.8% previously
 - ✓ Suggests the economy is almost at full employment
- ✓ Could further embolden the US Fed to adopt a tighter stance
 - ✓ Full employment + Increased spending = Higher inflation
- ✓ Recession in the US will weigh on global economic recovery



Leo

on WhatsApp

Chat on +234-903-000-2455

Check Account Balance?

Top up your airtime?

Bank Transfers?

Bills Payment?

<https://m.me/ubachatbanking> Leo@ubagroup.com [CFC \(+234-1-2807400\)](tel:+23412807400)



Sub-Saharan Africa



More African Nations Considered Energy Reforms

- ✓ Fiscal pressures are compelling African economies to implement reforms
 - ✓ Particularly energy reforms in the light of higher oil prices
- ✓ Rwanda has hiked its fuel pump price by 8.2% to RF1,359/litre (\$1.32)
 - ✓ The second increase this year
 - ✓ Diesel price raised to RF1,368/litre (\$1.33), a 13.9% increase
- ✓ Also, Zambia scrapped fuel subsidy in Dec. 2021
 - ✓ Pushing petrol pump prices up by 20.10% to K21.16 (\$1.16)
- ✓ Fuel subsidy has been a major drain on govt. finances in Nigeria
- ✓ However, political considerations are undermining reforms

Rising Food Prices Taking a Toll on Poor Economies

- ✓ Global surge in food prices taking a toll on emerging and developing economies
- ✓ Food accounts for 20% of consumer spending in the emerging nations
 - ✓ Up to 40% in Sub-Saharan Africa, 56% in Nigeria
- ✓ Food inflation heading towards 18%
- ✓ Higher food prices have exacerbated existing macroeconomic issues
- ✓ Prior to the war, most of the countries were grappling with:
 - ✓ High debt levels
 - ✓ Currency pressures
 - ✓ Inflation

Non-tariff Barriers Continue to Undermine AfCFTA

- ✓ AfCFTA came into effect on January 1, 2021
- ✓ However, intraregional trade has remained largely constrained

✓ Accounting for just 18% of total African exports

✓ Key barriers include:

- ✓ Infrastructural challenges
- ✓ Expensive logistics
- ✓ Red tape at borders & customs bureaucracies
- ✓ Corruption
- ✓ Protectionist policies by economic powerhouses like Nigeria & Ghana



A Wave of Military Coups in Destitute/Mismanaged Countries

✓ About 1/3 of West African countries are under military rule



✓ Guinea Bissau was a failed coup

✓ All are French speaking countries

✓ Popular reception to the coup reflective of widespread frustration

✓ Due to the deteriorating living standards

✓ And perceived corruption of civilian govt.





March Highlights

- ✓ We said beware of the Ides of March!
- ✓ The month saw economic mayhem & market-see-saw



Social Conditions are deteriorating

Indicators	2022	Comments
Poverty (%)	40.1 (2018)	<ul style="list-style-type: none"> Nigeria still the poverty capital of the world Over 40% of total population in extreme poverty 4 in every 10 Nigerians live below a dollar per day – <i>World Bank</i>
Unemployment (%)	33.3 (Q4'20)	<ul style="list-style-type: none"> 4th highest unemployment rate in the world after South Africa, Angola and Namibia Youth unemployment at 45.3% despite a median age of 18.7 years Graduates predominantly in the informal sector
Misery Index (%)	49	<ul style="list-style-type: none"> Inflation + unemployment worsening misery levels Public outrage beginning to manifest
Gini Coefficient (%)	35.1 (2018)	<ul style="list-style-type: none"> Unequal distribution of income persists All economic agents currently feeling the revenue squeeze
Life Expectancy (years)	55.8	<ul style="list-style-type: none"> Death toll rising on bad living conditions and insecurity
Infant Mortality Rate (%) (Deaths per 1,000 live births)	54.7	<ul style="list-style-type: none"> Dilapidated health care system and sharp rise in brain drain increasing mortality rates

*“The poor cannot sleep, because they are hungry and **the rich cannot sleep, because the poor are awake and hungry.**”*



Sam Aluko (1999)
Nigerian economist

Insecurity Compounding Fear & Economic Woes

- ✓ Shift from North East to North West
- ✓ Zamfara now the epicentre of crime & poverty
- ✓ Deteriorating social conditions leading to high insecurity and crime rates
- ✓ Kidnapping and ransom rising
- ✓ BRTs and commercial vehicles unsafe
- ✓ Train bombings now a reality
- ✓ Boko haram activities spreading to central Nigeria



Consumers are Stretched, Squeezed & Embattled

	2020	2022	% Change	
Power	5,340MW	2,000MW	63%	↓
Pizza	2,800	3500	25	↑
Diesel	N190	N750	294.7%	↑
Petrol	N145	N200	37.93%	↑
Bag of flour	N8,500	N22,500	181%	↑
Oil Price	\$43	\$108	151.16%	↑
Sardine	N200	N600	200%	↑
Bread	N350	N600	71.43%	↑
Cooking gas	N3,500	N8,000	129%	↑
Rice	N25,000	N30,000	20%	↑
Fertilizer	N5,000	N16,000	220%	↑

Average commodity prices ↑ 126.7%
while official inflation averaged 15.7%



Average commodity price changes = 126.7%

Consumers - Stretched, Squeezed & Embattled



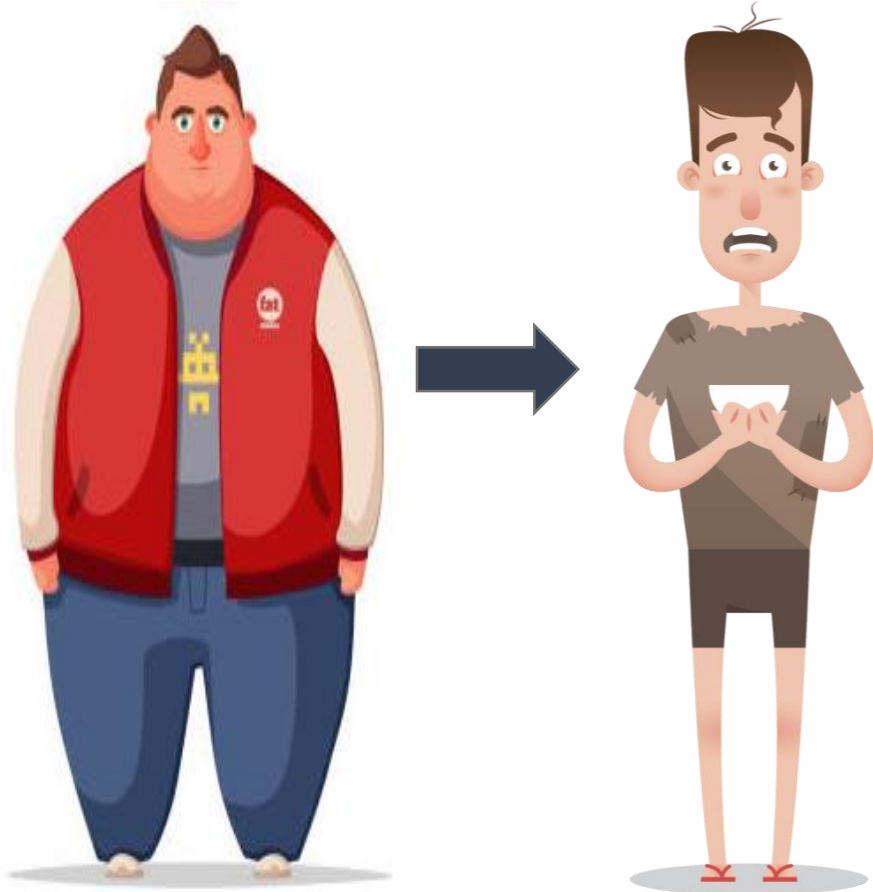
**Average
Minimum
Wage in
SSA
\$116.14**

**Minimum
Wage in
Nigeria
\$72.46**

- ✓ About 40% of income in SSA is spent on food
- ✓ Inflation eroding the real value of minimum wage
- ✓ Household income further depressed
- ✓ Nigerian consumers are pushed to the wall

Consumers - Stretched, Squeezed & Embattled

Battered Nigerian man



- ✓ Nigerians are now buying less in quantity and lower quality
- ✓ Real income of fixed income earners fall in the face of rising price level
- ✓ Real Income rapidly eroding
- ✓ With salary cuts and layoffs imminent

IT'S TIME TO
CARE
ABOUT
YOUR SALT
Refined, Iodized & Purified



CHOOSE QUALITY, CHOOSE DANGOTE SALT

www.nasconplc.com

Consumers - Stretched, Squeezed & Embattled



....In today's Nigeria, there is no middle class. You are either rich or poor and most Nigerians are the latter...

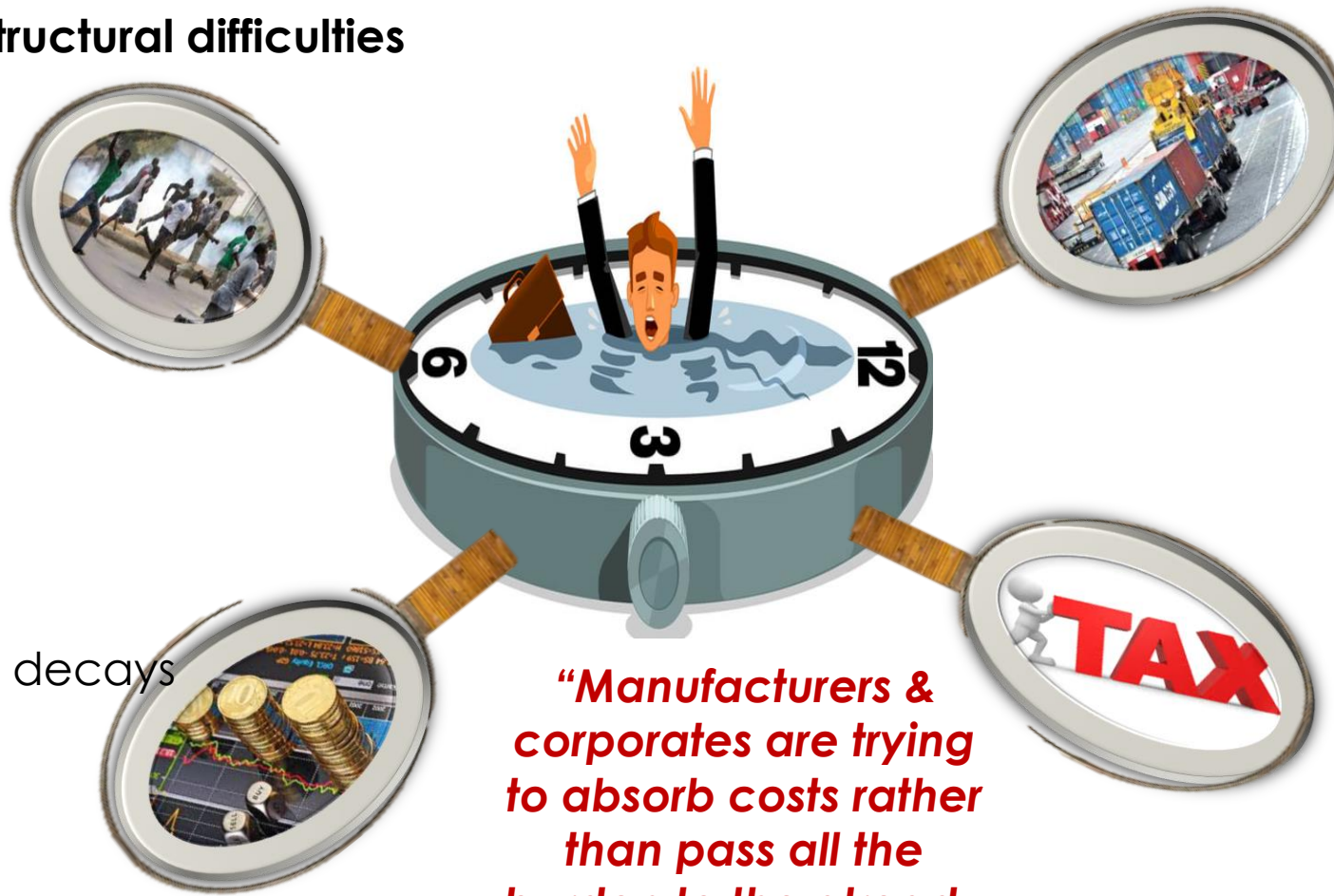
Businesses are gasping

Insecurity and structural difficulties

- Kidnapping
- Banditry
- Protests
- Secessionists agitations
- Supply chain disruptions
- infrastructural decays

Forex hassles

- Forex supply dips
- Parallel rate hikes
- Investment drag due to rising uncertainties



“Manufacturers & corporates are trying to absorb costs rather than pass all the burden to the already stretched consumer”

Rising operating cost

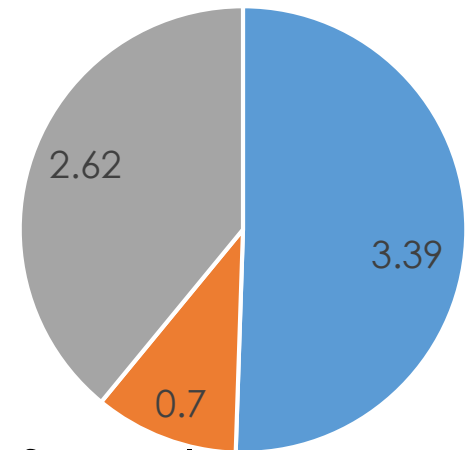
- Energy cost (diesel, etc.) spikes
- Logistics costs rises
- Cost of importing raw material and capital goods rises

Tax inefficiencies

- Multiple tax persists
- New taxes introduced

Fatigued Investors

- ✓ Low interest rates amid rising inflation widening negative real rates of return
- ✓ Investors sceptical as debt level climbs
 - ✓ Total public debt up 20% to N39.56trn in 2021 from N32.92trn in 2020
- ✓ Insecurity tapering prospective FDI inflows
 - ✓ FDI's dipped to a 5-year low by 32.14% to \$698.8mn in 2021
- ✓ Political uncertainties making investors tread cautiously
- ✓ Capital imports dominated by hot money (FPIs are 50.6% of total capital imports)



■ FPI ■ FDI ■ Other investments

Fiscal Woes Compounding

- ✓ FG still cash strapped despite increase in oil prices
- ✓ Oil production suboptimal leading to capping impact of higher oil prices
- ✓ Swap deals also tapering oil revenue
- ✓ Tax revenues slowing on hostile business environment
- ✓ FAAC disbursements are down by 10.67% to N621.68bn in Q1 '22 from N695.94bn in Q4'21
- ✓ Subsidy payments adding to revenue challenges
- ✓ NNPC continues to maintain monthly deductions from FAAC remittance

Fiscal Woes Compounding



“Blessed are the young for they shall inherit the national debt”

- Herbert Hoover



Domestic Economy

Leading Economic Indicators



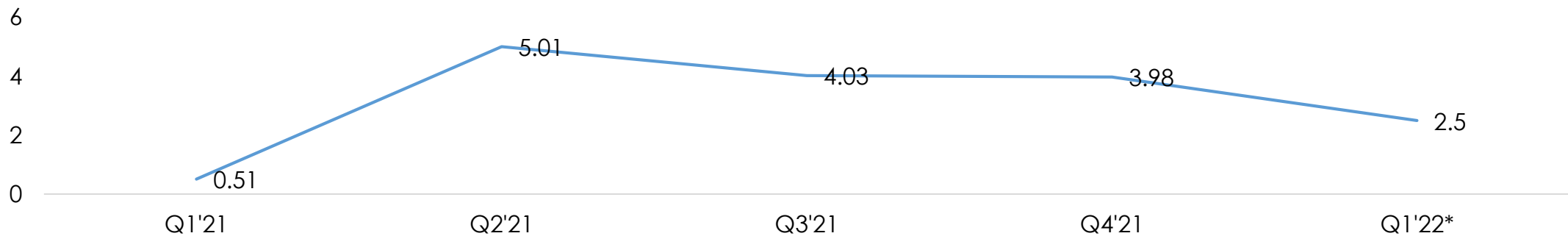
LEI	Feb' 21	March' 22	% Change	Comments	Apr'22*
GDP Growth (%)	4.03 (Q3'21)	3.98 (Q4'21)	-0.05	GDP to maintain a positive but slower pace of growth rate due to weak aggregate consumer demand amid rising inflation rate	2.5-3.5 (Q1'22)
Oil Production (mbpd)	1.43 (Jan'22)	1.42 (Feb'22)	-0.69	Pipeline vandalism and oil theft will continue to limit oil production level, keeping it below OPEC's quota (1.75mbpd)	1.44 (Mar'22)
Oil rig count	6 (Jan'22)	8 (Feb'22)	14.29	Oil rig count to remain flat	8 (Mar'22)
Oil Price (\$pb; avg)	93.95	112.32	19.55	Oil price is expected to fall due to concerns about declining demand in China and the prospect of improved supply through the release of strategic reserves	105-110

Leading Economic Indicators

LEI	Feb' 21	March' 22	% Change	Comments	Apr'22*
Average Opening Position (N'bn)	321.68	265.55	17.45	As the CBN continues to mop up excess money, market liquidity will remain constrained.	300-320
Primary T-Bills (%): 364-days	4.35	4.45	0.10	Negative real rate of return widens as inflation increases	6-8
Inflation (%)	15.60 (Jan'22)	15.70 (Feb'22)	0.10	Inflation is expected continue the upward trend as energy crisis, currency pressures and hike in global price of commodities persist.	15.83
External Reserves (\$bn; month-end)	39.86	39.55	0.78	External reserves will continue its steady depletion due to low oil production level, despite surging oil prices	41-43
Exchange Rate (N/\$; month-end)	Parallel: 578 IEFX: 416.67	588 416.17	1.73	We expect the naira at the parallel market to depreciate due to low forex inflows resulting from declining oil production level	600
			0.12		418

Mixed View on GDP Growth Rate in Q1'22

Real GDP Growth (%)



- ✓ There is mixed view on GDP growth rate in Q1'22

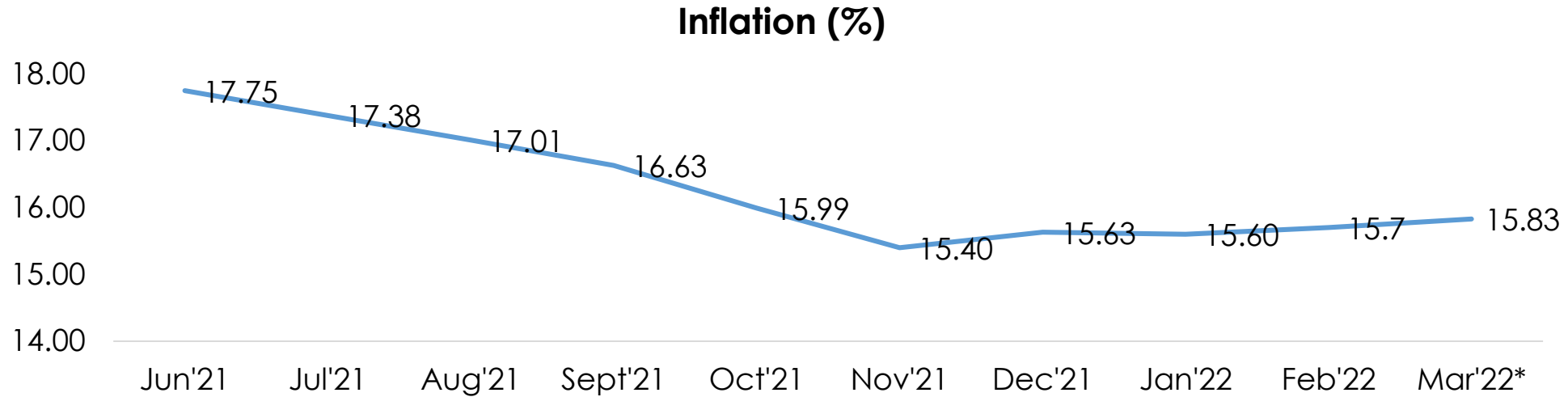
View A

- ✓ Disruption on global supply caused by the war will impede growth in Q1'22

View B

- ✓ Front loading of demand ahead of the political uncertainties in coming months will stimulate growth in Q1'22
- ✓ Real GDP growth expected to remain on positive trajectory

Inflation – Upward Ever



- ✓ Headline inflation increased by 0.10bps to 15.70% in February
 - ✓ Mainly due to cost push pressures – hike in diesel cost, transportation and distribution cost due to fuel scarcity
- ✓ Headline inflation is projected to rise to 15.9% in March

Inflation is now a way of life



Energy crisis

Diesel ↑ 294.7% to N750/litre



Planting Season



Global Commodity prices up

(Wheat ↑ 2 3.6%

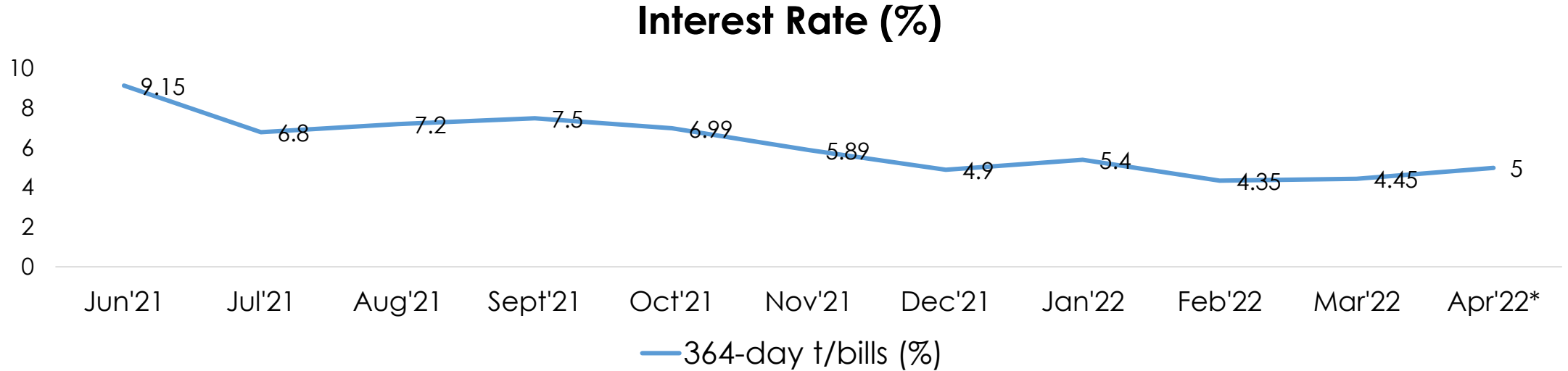
Corn ↑ 9.6%)



Currency Pressures & Exchange
Rate Pass-through

Naira down to N587.5/\$ at the parallel market

Negative state of return – Losing money by going to bed



- ✓ Negative real rate of return widening as inflation rises amid steep decline in T/bills
- ✓ There will be dis-savings as the negative real rate of return increases
- ✓ CBN likely to adopt a tighter monetary policy stance to contain inflation
- ✓ Will most likely push up lending rates

GET A **QUICK LOAN** FOR YOUR BUSINESS

Visit: www.business.alat.ng



Are you an ALAT user? Download the app to join the ALATrybe



Dial *945*01#

Don't forget, payments are easier with

*945#

0-7000-PURPLE, 0803 900 3700

help@ALAT.ng 09044411010

Customer help desk

Get social with us at:



@wemabank

@alat_ng



alat.ng

wemabank.com | alat.ng

MPC in May – No longer a ritual

- ✓ Next MPC meeting scheduled for May 24/25
- ✓ Monetary policy tightening likely as inflation spirals
- ✓ MPC left rates unchanged at its March meeting



**(A) – Increase by 25 basis points
– 60% probability**

Consideration:

- ✓ Rising inflationary pressures: 15.7%
- ✓ Gross external reserves depletion (\$39.60bn)
- ✓ Currency pressures - Parallel market rate (N587.5/\$)
- ✓ Low savings rate and the risk of capital flights
- ✓ Increased borrowing to fund the fiscal gap

**(B) – Maintain MPR at 11.5% pa
– 40% probability**

Consideration:

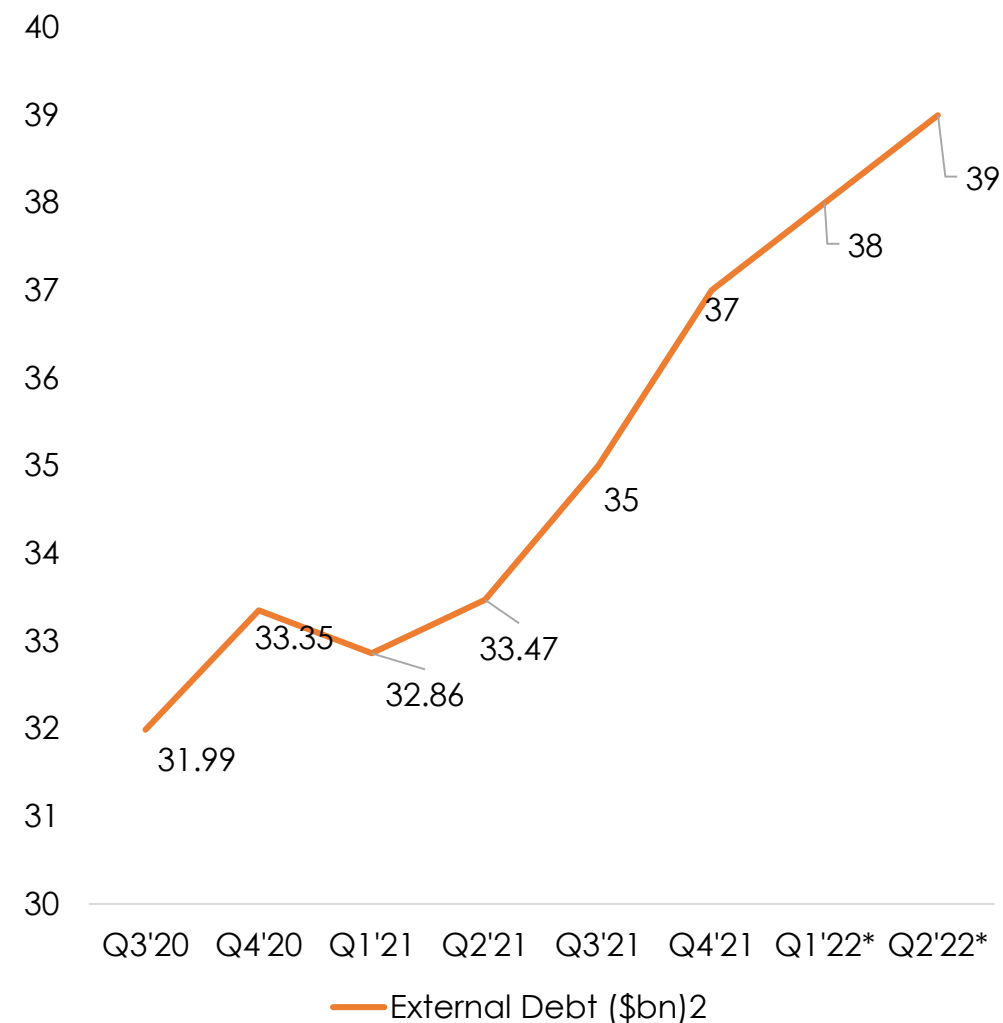
- ✓ Positive but tepid economic growth
- ✓ Spike in unemployment
- ✓ Worsening socio-economic conditions
- ✓ Inflation pressures driven by cost push factors

A mountain of debt (\$40bn)

- ✓ FG raised another \$1.25bn from the international debt market
- ✓ Gross external debt keeps mounting as fiscal deficit widens
- ✓ Nigeria has been running a Fiscal deficit to GDP in excess of 3% threshold over the last 5 years
- ✓ Projected to reach 6% in 2022 – EIU

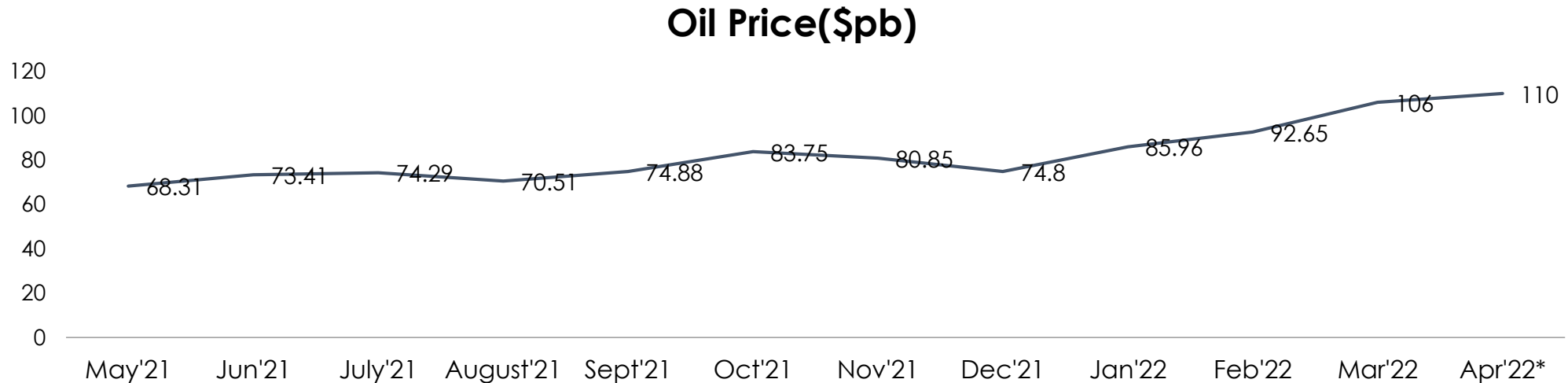


Gross External Debt (\$bn)

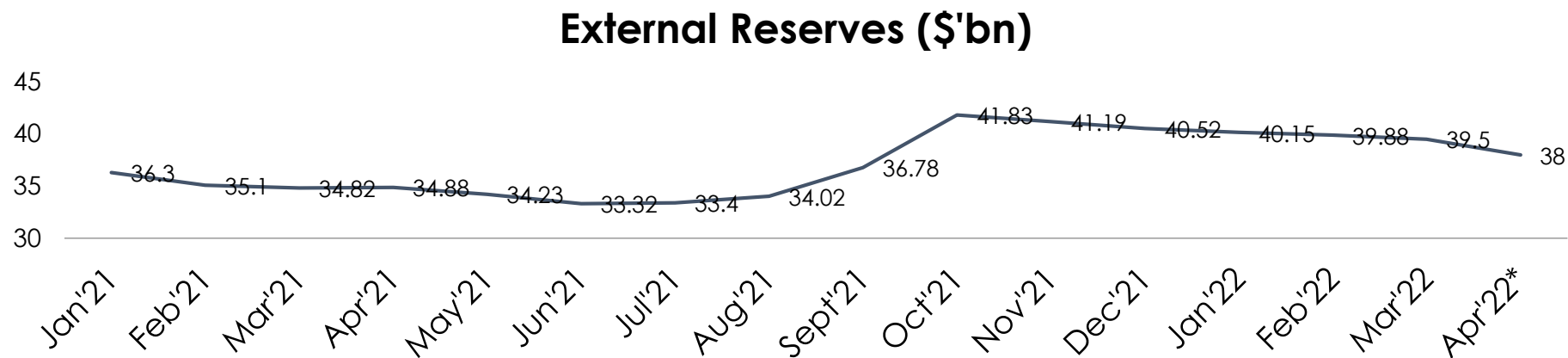


Oil Price to Remain Above \$100pb

- ✓ Oil price to remain above \$100pb on supply shortages following the sanction on Russian crude
- ✓ While the re-imposition of lockdown in China stirs concerns about sluggish demand
- ✓ Major threat is the Iran nuclear deal



Depleting of External Reserves Despite Higher Oil Prices



Source: EIU



- ✓ External reserves still below \$40bn despite higher oil prices
- ✓ External reserves improved when SDR was drawn (Q3'21) and Eurobond raised (Q4 '21)
 - ✓ Imports cover now below 9 months
- ✓ External reserves likely to decline further to \$38bn as CBN continue to intensify its forex intervention

Determinants of Exchange Rate

Determinants	2020	2021	2022
Current Account Balance (\$bn)	-17.0	-6.8	7.5
Balance of Trade (\$bn)	-16.4	-8.7	4.1
Terms of Trade	23.3	28.4	32.0
Oil Revenue (Ntrn)	9.44	14.41	20

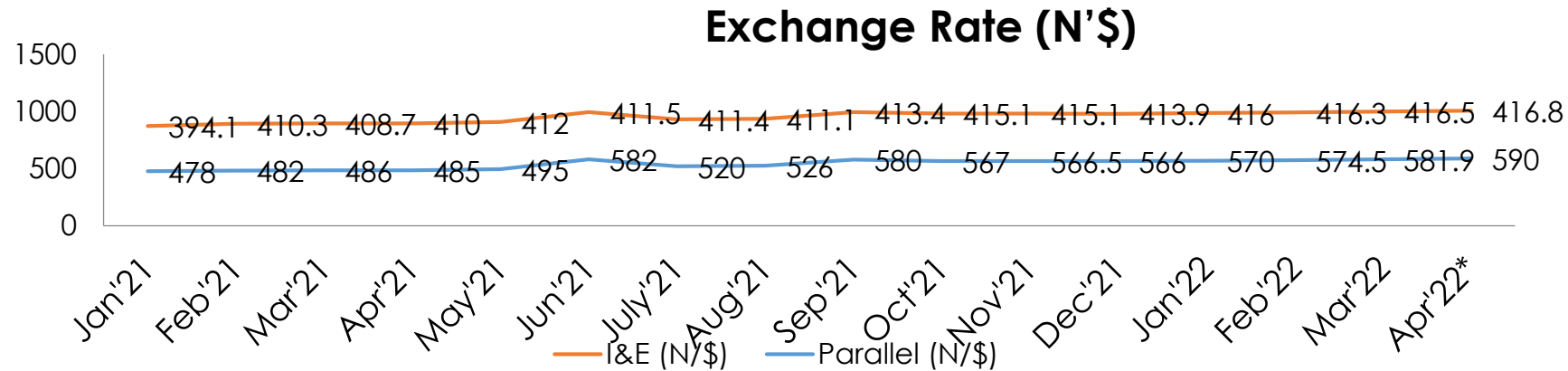
- ✓ Naira fundamentals seems stronger in 2022
- ✓ However, the currency pressure persists as supply shortage continues
- ✓ Naira still over-valued

Naira Moves Farther Away From its PPP Value

Purchasing Power Parity			
		Apr-22	
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	150	2.50	60.00
Beer (60cl)	700	0.90	777.78
Hamburger (Burger King)	4,900	4.59	1067.54
Indomie (1 unit)	100	0.68	147.06
Toyota Corolla	18,000,000	21,000	857.14
Nestle Bottled Water (60cl 1 unit)	100	0.12	833.33
Big Loaf Bread	700	2.50	280.00
Irish Spring Soap (1 cake)	400	0.47	851.06
Chicken Breasts (1 kg)	2,700	8.00	337.50
Trolley	2,500	6.00	416.67
Peak evaporated milk (pack of 12)	4,800	34.40	139.53
Uncle Ben's rice (5.44kg 1 pack)	8,500	14.85	572.39
Eggs (30 large eggs)	2,200	2.30	956.52
Average PPP			587.50
Naira Price at IEFX			416.83
PPP (%)			
Decision: Naira is		Overvalued	40.94%
Spot Rate (Parallel)			587.5
Outcome: Compared to IEFX rate of N416.83/\$1, the Naira is Overvalued by 40.94%			

‘Naira overvalued by 40.94%’


Exchange Rate – Naira Weakens At The Parallel Market



- ✓ Parallel market rate down to N587.5/\$
- ✓ Likely to cross N600/\$ at Easter
- ✓ Manufacturers are faced with rising cost of production as forex scarcity persists
- ✓ BDCs appeal to officially return to the FX market
- ✓ IEFX rates relatively stable at N416/\$ - N417/\$

Exchange Rate Outlook

- ✓ Currency pressures like to persist on heightened forex demand and weak supply
- ✓ As firms stock up ahead of the Muslim fasting and Easter period
- ✓ And due to the war-induced economic uncertainty
- ✓ Ukraine/Russian conflict prompting capital flight from emerging and developing economies
- ✓ The naira to remain under pressure in parallel as forex demand outpaces supply in April
- ✓ Will near N600/\$ at the parallel market and N420/\$ at the official window







Confused Markets & Fleeing Investors

Confused Markets & Fleeing Investors

- ✓ Markets are confused, and investors are weary of the economy
- ✓ Negative real rate of return widening
 - ✓ As interest rates fall amid rising inflation
- ✓ Fundamental weakness in earnings
 - ✓ Imported inflation and FX pressure persists – Naira has lost 4% this year
 - ✓ Extraordinary gains partially off the books in 2022
- ✓ Political and policy uncertainty
- ✓ Foreign capital dominated by 'hot money'
 - ✓ FPIs account for 50.6% of total capital imports
 - ✓ FDI fell sharply by 32% to \$698.78mn in 2021 – **lowest level in 5 years**

Russia-Ukraine War Weakens Global Stock Market Performance

Market	Q1'2022 Return	Driver
SSE	 10.14%	<ul style="list-style-type: none"> ✓ Capital flight to safety due to geopolitical rifts ✓ Omicron outbreak
S&P 500	 4.95%	<ul style="list-style-type: none"> ✓ Geopolitical tensions, rising interest rate and an inverted yield curve signaling a possible recession
JSE	 2.43%	<ul style="list-style-type: none"> ✓ Soaring commodity prices ✓ Safe haven for global investors ✓ Strengthened currency
GSE	 1.67%	<ul style="list-style-type: none"> ✓ Aggressive profit taking ✓ Heightened inflation ✓ Cedi-depreciation
NGX	 9.95%	<ul style="list-style-type: none"> ✓ Impressive corporate earnings ✓ Listing of large cap (BUA foods)

Global vs Domestic Investment Flows

Variables	Global Investment	Domestic Investment
Interest rate	<ul style="list-style-type: none"> Increased and attractive interest rate in the fixed income space to combat heightened inflation 	<ul style="list-style-type: none"> Unattractive interest rates in the fixed income space Monetary policy rate remains unchanged despite rising inflation
Inflation and real rate of return	<ul style="list-style-type: none"> Positive real rate of return despite heightened inflation 	<ul style="list-style-type: none"> Negative real rate of return due to heightened double digit inflation
Exchange rate	<ul style="list-style-type: none"> Stronger currency fuelling investors positive sentiment and attracting domestic investors 	<ul style="list-style-type: none"> FPIs exiting due to exchange rate volatiles and difficult operating conditions

MDXi Data Centers

www.mdx-i.com

Our footprints are the lifeline of the region's business.

Our Data Centers are present in key locations across West Africa to deliver access and guarantee maximum availability.

- LAGOS, NIGERIA
- ACCRA, GHANA
- ABIDJAN, COTE D'IVOIRE

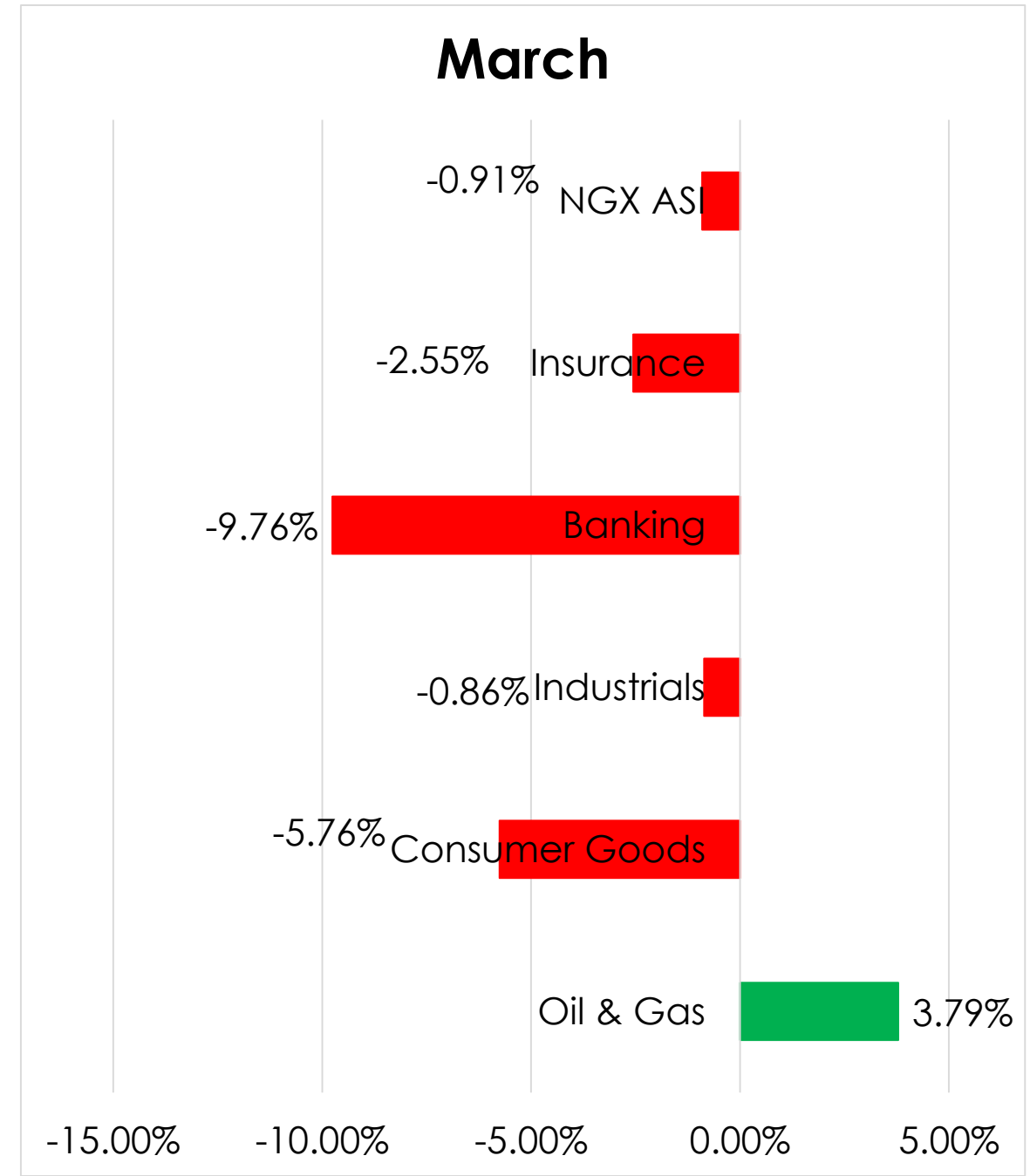


Global vs Domestic Investment Flows

Variables	Global Investment	Domestic Investment
Investment decisions, market liquidity and portfolio diversification	<ul style="list-style-type: none">Global stock market is flooded with several high cap, valuable stocks, ETFs, mutual funds	<ul style="list-style-type: none">Limited investment opportunities and large number of penny stocks
Unemployment rate	<ul style="list-style-type: none">Declining job claims due to improved employment rate and improved pension fund portfolio	<ul style="list-style-type: none">Increased unemployment rate despite soaring populationMeagre pension fund portfolio

NGX Indices in March

- ✓ NGX ASI lost 0.9% to 46,965.48
- ✓ Investors traded cautiously amid economic uncertainties
- ✓ All indices in red except the oil and gas
 - ✓ Attractiveness of the sector underpinned by the oil price rally
 - ✓ Industry players to witness significant improvement in profitability in the near term
- ✓ Banking sector topped the laggards
 - ✓ Weak investor sentiment





EARNINGS SEASON

Corporate Earnings

Cost Climbing Faster Than Revenue Growth

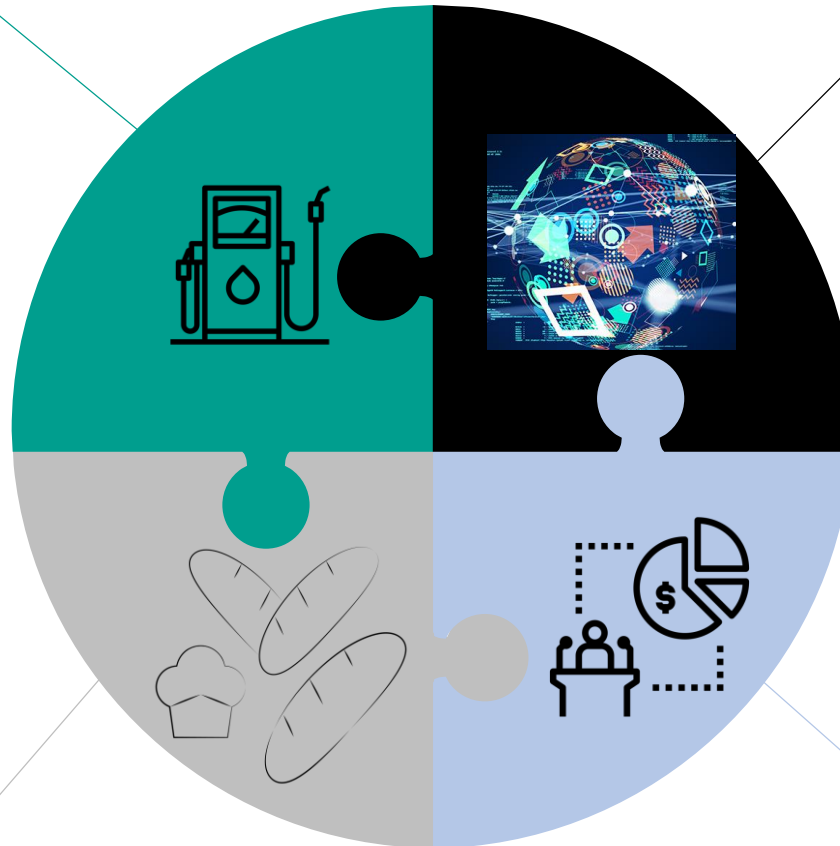


Energy

- ✓ Diesel prices up 250% in Q1'22
- ✓ Average growth of 50% in electricity tariffs
- ✓ Most companies to feel the combined heat

Technology

- ✓ Digital innovation fuelling capital expenditure
- ✓ Tech talent cost to grow in line with acquisition



Commodities

- ✓ Commodity prices reaching all time high in Q1'22
- ✓ Fuelled by the impending Russian-Ukraine Crisis

Regulatory & FX

- ✓ Strict regulatory policies to exacerbate fees
- ✓ Currency pressure exacerbating cost

Cost Efficiency: a Source of Competitive Advantage

- ✓ Cost containment remains a winning strategy
- ✓ Cost efficiency makes corporates remain competitive
 - ✓ As profit margins improve
 - ✓ Price offering will likely remain same
 - ✓ Acquisition of market share likely to become imminent
- ✓ MTN realized N25.1 billion in cost savings in 2021
- ✓ Ongoing cost management strategy to remain effective
- ✓ Possibly offsetting current cost pressures, while tariffs remain unchanged

Stock Market Outlook

✓ Interest rates up, weak earnings and choppy stock performance

Income ↓

- ✓ Slow growth in turnover
- ✓ Corporates product offerings to face competition due to squeezed consumers wallet
- ✓ Companies with inelastic demand to enjoy relative price change

Cost ↑

- ✓ Lingering inflation pressure to weigh on margins
- ✓ Surge in energy cost (diesel) to weigh on bottom line
- ✓ Borrowing cost to climb higher with rate hike

Stock Prices ↓

- ✓ Weak earnings performance to dampen sentiment
- ✓ Likely uptick in interest rates in Q2
- ✓ Possible rotation of funds from equities
- ✓ Investors to tread cautiously ahead of political uncertainties

Where To Invest Now

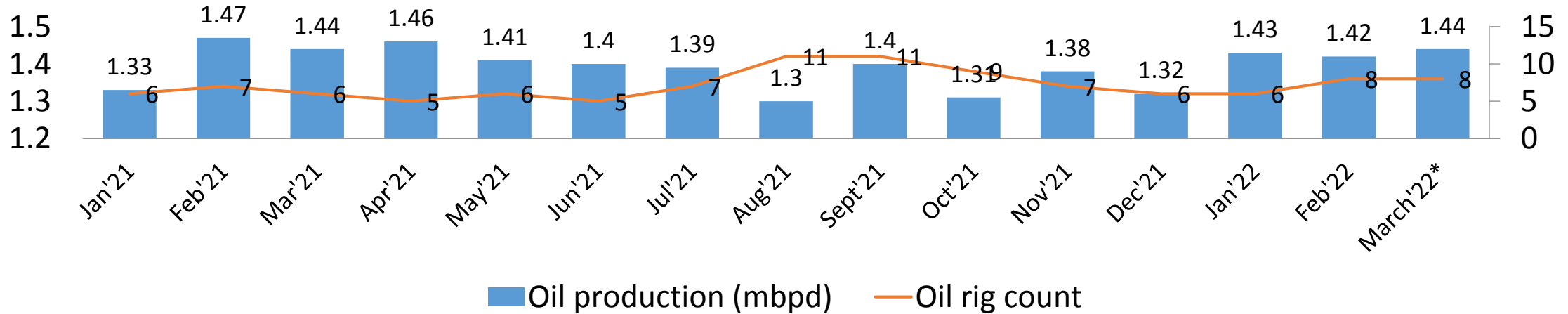
Investment Securities	Portfolio Allocation	Rationale
US equities	30%	<ul style="list-style-type: none"> ✓ Hedge against currency risk ✓ Market sentiment expected to be bolstered by: <ul style="list-style-type: none"> ✓ Robust recovery in economic activities ✓ Increase in market participation and investment pattern
Nigerian equities	20%	<ul style="list-style-type: none"> ✓ Need for portfolio diversification ✓ Investment in valuable capitalized stocks with strong growth fundamentals
Treasury Bills	40%	<ul style="list-style-type: none"> ✓ 50% of funds invested is secured in a risk free asset ✓ Certainty of capital preservation
Real Estate	10%	<ul style="list-style-type: none"> ✓ Need for portfolio diversification ✓ Increased demand for real estate to hedge against rising inflation
Total	100%	



Market Proxies

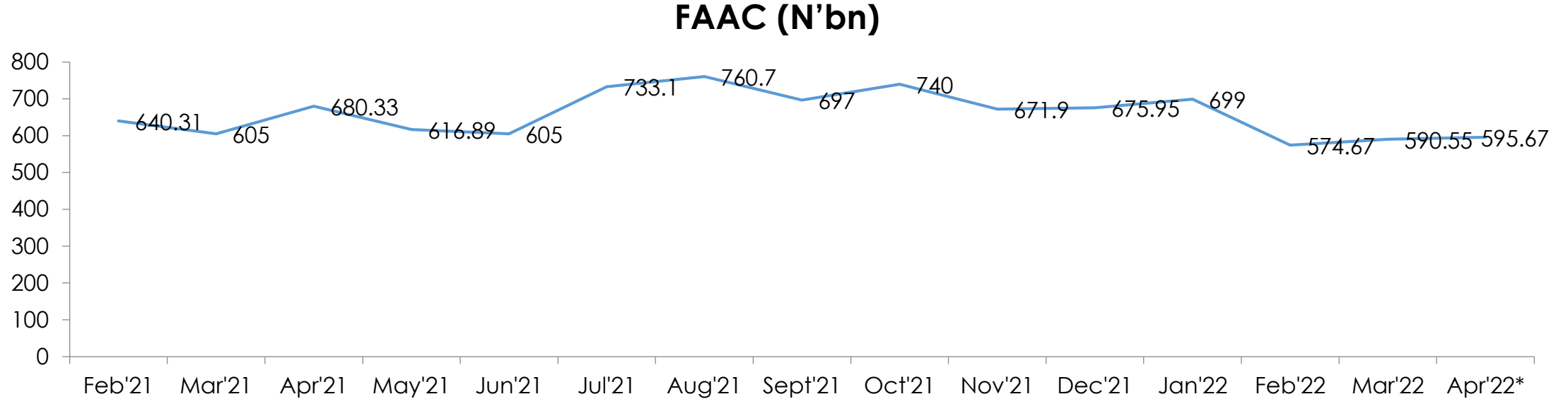
Oil Production Still Below OPEC Quota

Oil production (mbpd) and Rig Count



- ✓ Nigeria still not benefitting from higher oil price as it continue to produce below OPEC+ quota (1.75mbpd)
 - ✓ Pipeline vandalism and theft remains a potent threat to the sector
- ✓ Will likely remain below the OPEC quota due poor upstream infrastructure and sabotage
- ✓ Would have negative impact on government revenue and external reserves

FAAC on An Upward Trend



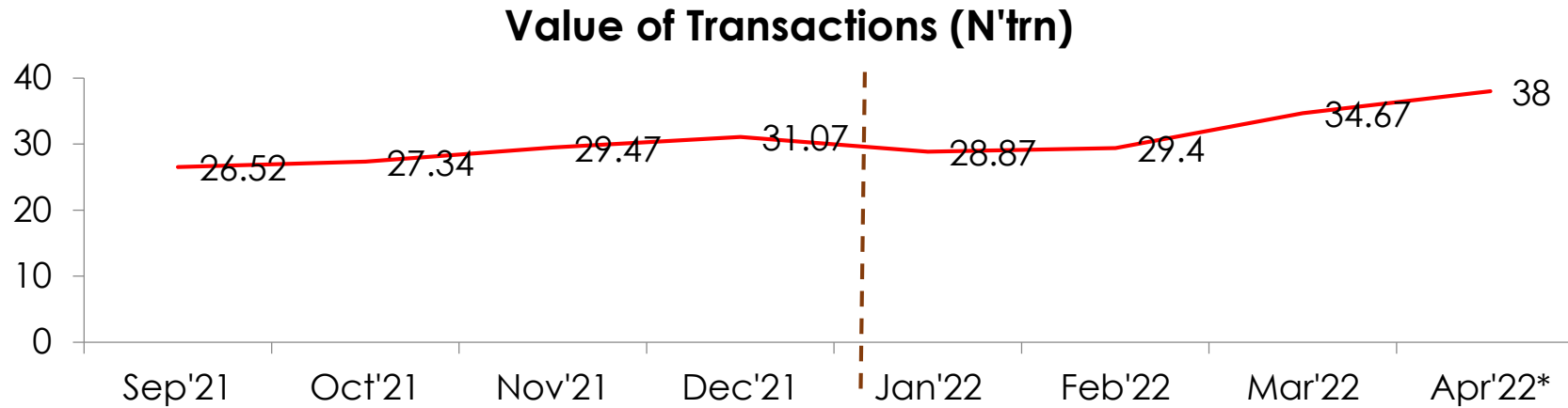
- ✓ FAAC allocation rose by 2.76% to N590.55bn in March'22 from N574.67bn in Feb'22
- ✓ PPT increased significantly, while oil and gas royalties increased marginally.
- ✓ Import and Excise Duties, CIT and VAT decreased mildly
- ✓ FAAC could increase marginally as oil price remain elevated
- ✓ Subsidy will continue to eat into distributable income

Ships Awaiting Berth

Ships Awaiting Berth	Dec'21	Jan'22	Feb'22	Mar'22
Apapa	4	6	3	8
Tincan	0	2	3	4
Rivers	5	1	0	1
Calabar	1	2	2	2
Warri	0	3	3	6
Onne	1	0	0	0
Total	11	14	11	21

- ✓ Ships awaiting berth increased by 90.9 % in March'22 from 11 vessels in Feb'22
 - ✓ As imports volume and new purchase order increases
 - ✓ Despite the congestion in Shanghai port amid lingering Russia-Ukraine tension
- ✓ Apapa remains the most congested port in Nigeria
- ✓ More cargoes build up at Warri ports as the condition rail and road linkage improves

Value of Transactions to Maintain an Upward Trend



- ✓ Total value of transactions across the e-payment channels rose by 17.93% to N34.67trn in March'22
 - ✓ Compared to N29.4trn recorded in February'22
- ✓ Reflects the improvement in E-commerce activities
- ✓ Value of transactions to increase towards N38trn in April as Easter and Ramadan festive period sets in

Power Update – March 2022 Energy Summary

4,666MW



Peak Energy
Generated

3,657MWH/H



Average Energy
Generated

2



Total Grid
Collapses

-



Constrained Revenue
(Million Naira)

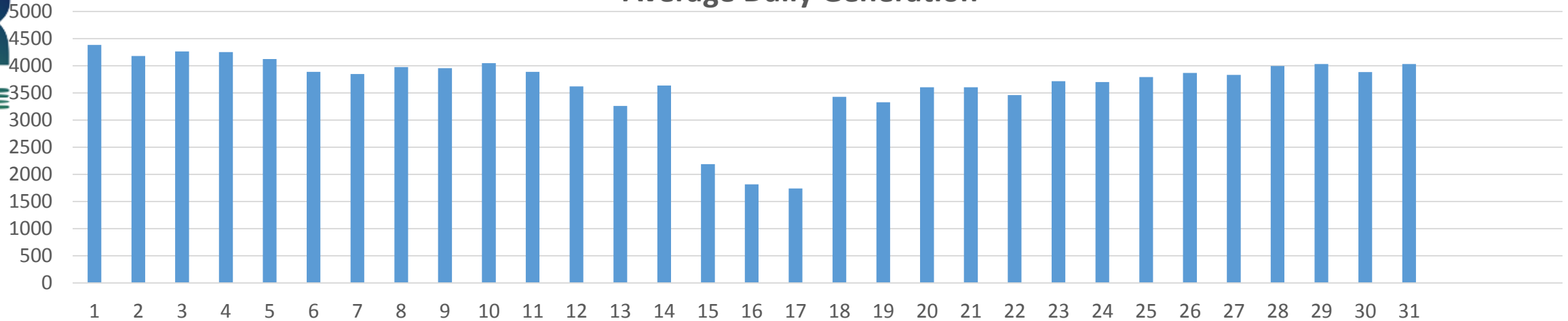
1,200MWH/H



Total
constrained
energy



Average Daily Generation



Source: **Lavayo Advisors**



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

Advisory Services

Energy | Finance | Strategy

 **Lavayo**
Navigate. Analyze. Deliver.

Find out more:
www.lavayo.com

Power Update

- ✓ Power sector on brink of collapse over low grid, 14 idle plants
- ✓ National blackout: REA gets \$561mn to provide reliable electricity
- ✓ Blackout: FG blames gas shortage, vandalism, okays N40BN for discos
- ✓ Gencos seek spinning reserve to stabilise power grid
- ✓ NERC to launch power outage reporting app
- ✓ NERC to review electricity tariff every six months over FX, inflation
- ✓ Blackout worsens as national grid suffers second collapse within 48 hours



Aviation Update

Global Aviation Update - Impact of Russian-Ukraine war



- ✓ Closed Ukrainian air space disrupted air travel
 - ✓ 3.3% of which accounted for air passenger traffic in Europe
 - ✓ 0.8% of total global traffic



- ✓ 36 countries, including UK, US and EU countries, have closed airspace to Russian carriers
- ✓ Boeing and Airbus suspended spare parts and service of Russian registered planes
- ✓ Air cargo rates close to record highs
- ✓ Further sharp rise in jet fuel prices, due to conflict, to push air fares higher

Global Aviation Update

- ✓ Airbus taking giant leaps - plans to deliver 720 commercial aircraft in 2022
- ✓ Almost 18% higher than delivery output in 2021
- ✓ The company delivered about 611 commercial aircraft in 2021

Regional Aviation Update

- ✓ Sub-Saharan Africa slips in air safety in 2021 (IATA)
- ✓ Kenya Airways returns to fuel hedges to drive costs lower
 - ✓ As fuel accounts for at least 25% of loss-making carrier's costs
- ✓ Royal Air Maroc mulls expansion plans in Nigeria
 - ✓ Abuja operations to resume
- ✓ Ghana now allowing fully vaccinated travelers entry through land and sea borders without a negative PCR test result
- ✓ This should boost inward passenger traffic in the coming days

Regional Aviation Update

- ✓ Ethiopian Airlines may have purchased five Boeing current-generation 777 freighters.
- ✓ Fleet expansion fleet signals to an increase in the demand for cargo
- ✓ Rising cargo demand has been key driver of the airline's cargo business' strongest performance

Domestic Aviation Update

- ✓ The government sponsored National Carrier is now for June 2022
- ✓ Nigeria reviews its COVID-19 testing protocol for inbound and outbound travelers
 - ✓ PCR test no longer required for fully vaccinated passengers
 - ✓ 48-hours PCR test required for non-vaccinated travelers
 - ✓ However, new testing policy is yet to be implemented
- ✓ Earnings from PCR testing for private laboratories estimated at N26bn in the last two years
 - ✓ Primarily from international travelers owing to mandatory requirement to undertake PCR tests

Domestic Aviation Update

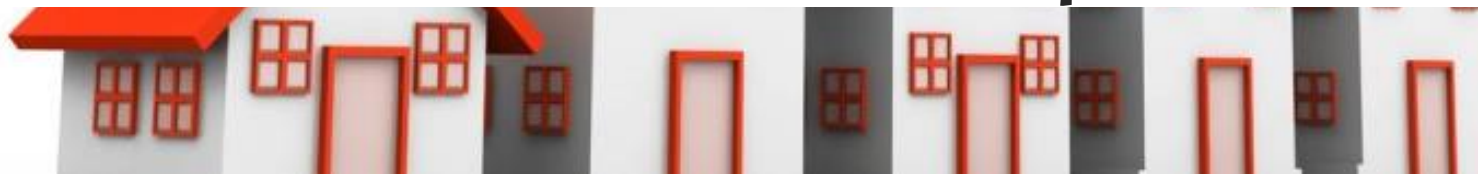
- ✓ Airlines groan as aviation fuel scarcity bites
 - ✓ Further hike in prices expected
 - ✓ More flight delays and cancellations
- ✓ Nigeria loses \$200mn to foreign airlines
- ✓ But repatriation still a concern as forex shortages remain
- ✓ Air Peace opens route to Niger Republic to deepen economic integration within Africa

Domestic Aviation Update

- ✓ Persistent insecurity – kidnappings – continue to drive demand for local air travel
- ✓ Forex scarcity and aviation fuel shortage pushed airfares up by more than 100%
- ✓ Incessant cancellation and protracted flight delays by Air Peace shifting passenger traffic to Ibom Air



Real Estate Update



Real Estate Update

- ✓ Rents in short-let and serviced apartments property market rising faster than expected
 - ✓ As cost of diesel surges past N700/litre
 - ✓ Amid rising inflation
 - ✓ Leading to low patronage in sector
- ✓ Federal Mortgage Bank of Nigeria to invest over N40bn in 5000 housing units in 12 months
 - ✓ As part of social housing scheme

Real Estate Update

- ✓ Annual GDP growth positive at 2.26%
 - ✓ On increased investor confidence despite low consumer purchasing power
- ✓ Rising inflation increases the attractiveness of real estate as an asset class
 - ✓ In a bid to hedge against inflation and garner reasonable yields
 - ✓ Could result in a rise in investments in housing and landed properties
- ✓ But housing deficit still high at 22 million as affordable housing remains scarce

Real Estate Update

- ✓ Likely CBN intervention in housing sector to boost growth
- ✓ Rapid growth in tech sector to fuel occupier demand across Nigerian real estate market
- ✓ Meanwhile, vacancy factor widening on low consumer disposable income
- ✓ Lagos State Government formulating new Urban Development policy
 - ✓ To guide sustainable urban development from 2022 to 2050
 - ✓ To enhance socio-economic wellbeing

Real Estate Update

- ✓ Demand for yield by investors amid short supply of real estate to drive sector activities in the near term
- ✓ Investors considering investment options in Yaba and Surulere
 - ✓ Targeted at consumers below the mid market
 - ✓ young professionals and students



Alpha Morgan Capital

*Growing Your **Wealth...***

FUNDS MANAGEMENT

INVESTMENT BANKING

FINANCIAL ADVISORY

Head Office (Lagos)

Union Bank Building (2nd floor) Plot 1668b,
Oyin Jolayemi Street, Victoria Island, Lagos.
081 51 71 71 71

Abuja Branch

Phase 1, 5th Floor, Suite F5, 1 Rivers House,
Plot 83 Ralph Shodeinde Street, CBD, Abuja.
+234 09 292 5164


www.alphamorgan.com


info@alphamorgan.com



Policy Makers- Distracted Leaders & Conflicted Regulators

Political Update -Ticker to the North

- ✓ A consensus candidate will emerge, but this will also splinter the party
- ✓ A third party of the aggrieved will merge with APGA from the North Central, South West and South Eastern zones
- ✓ A fourth party representing a generational shift will emerge
- ✓ This party will amalgamate the EndSARS, the tech savvy and the disgruntled to form a potent force
- ✓ In the end the governors in the South/South with deep pockets and the Generals with influence will ally to produce their preferred candidate



Political Update -Ticker to the North

- ✓ In a 4 way contest a clear winner in the first run will almost be impossible
- ✓ In a run-off election, the tribal, sectarian and regional tendencies will bring Nigeria back to where it was at the beginning
- ✓ Ultimately incumbency, the economy, vested interests and insecurity will determine the 2023 outcome

Political Update -When The Going Gets Tough

- ✓ Insecurity is now the main focus of the political debate in Nigeria
- ✓ Failure to contain the insurgency has taken the wind out of the sails of the APC
- ✓ After a well managed convention the APC is on a slippery slope
- ✓ The president is attempting to take a grip
- ✓ Time is eluding the administration and desperate times may call for desperate measures
- ✓ The President may have no choice but to clear the cupboard
- ✓ Too many cabinet members and policy makers are conflicted
- ✓ Eroding the credibility of the administration

Political Update -When The Going Gets Tough

- ✓ The next item on the political agenda is multidimensional poverty
- ✓ Poverty is concentrated and worsening in the North East & North West zones
- ✓ The state government finances are dwindling and debts are rising
- ✓ The APC governors are split into incongruous camps
- ✓ The primaries are almost bound to zone the presidential ticket to the South
- ✓ Therein lies the problem
- ✓ It is easier to get 50 files into a matchbox than to get the Southern groups to agree on a candidate and zone
- ✓ The PDP is also mired in internal squabbles
- ✓ It is almost certain that the PDP will zone their presidency to the North





April Outlook

Key Data Points to Watch



- ✓ Russia-Ukraine peace talks outcome
- ✓ March inflation report – Apr 15
- ✓ April inflation data – May 16
- ✓ Q1 '22 GDP data – May 24
- ✓ MPC meeting – May 24/25

April Outlook

- ✓ Inflation data for March will spike towards 16% with food rising to 18%
- ✓ The naira will slip in the parallel market to N605/\$ during the Easter break
- ✓ The average price of Bonny light will be \$110
- ✓ Airline exchange rates will rise from N444/\$ to N450/\$
- ✓ The MPC will likely push up the policy rate by 50 basis points in May 2022
- ✓ Corporate earnings for Q1 will reflect the higher logistic costs and slowing demand

April Outlook

- ✓ Equity prices will be erratic but mainly sliding
- ✓ Interbank interest rates will spike in anticipation and reaching to the MPC move
- ✓ External Reserves will remain at the \$39bn level inspite of higher oil prices
- ✓ CBN intervention in the forex market will increase marginally
 - ✓ With little or no impact on market sentiment
- ✓ Investors, regulators and manufacturers will be reading the political tea leaves rather than the economic indicators

Corporate Humour

Behind every successful man you'll find a woman who has nothing to wear.

– *Harold Coffin*

Men always want to be a woman's first love – women like to be a man's last romance.

– *Oscar Wilde*

Good marriage would be between a blind wife and a deaf husband

– *Montaigne*

Corporate Humour

Between grief and nothing, I will take grief
– *William Faulkner*



The reasonable man adapts himself to the world, the unreasonable man persists in trying to adapt the world to himself.
– *George Bernard Shaw*

Excess of joy is harder to bear than any amount of sorrow
– *Letters of Two Brides*

Corporate Humour

Integrity without knowledge is weak and useless and knowledge without integrity is dangerous and dreadful.

— *Samuel Johnson*

Life is a compromise between fate and free will.

— *Elbert Hubbard*

No woman with sense gets married to be entertained, she marries to be maintained

— *Isabell Allende*

Corporate Humour

Diaper spelt backwards spells repaid.

– *Marshal McLuhan*

Where parents do too much for their children, the children will not do much for themselves.

– *Elbert Hubbard*

In youth we learn, in age we understand

– *Maria Von Ebner*

Corporate Humour

A man in the house is worth two in the street.

– *Mae West*

Put not your trust in money, but your money in trust.

– *Anonymous*

The way to become rich is to make money, not to save it.

– *Kate Chopin*

Corporate Humour

Rich people plan for four generations. Poor people plan for
Saturday night
– *Gloria Steinem*



It is better to live rich than to die rich.
– *Samuel Johnson*

*Thank
you*





Bismarck J. Rewane, MD/CEO
Financial Derivatives Company Ltd.
Lagos, Nigeria
01-6320213