

Global Economy

Recent data showed US jobless rate falling and at a level strong enough to instigate rate hike by the Federal reserve later this year.

Eurozone retail sales, a proxy for consumer spending, rose to its post BREXIT highest of 1.1% month-on-month and 2.9% year-on-year, beating market expectations in both cases. Likewise, pound surged to a seven week high after data showed UK service sector rebounded in August following slump in the wake of BREXIT.

China's manufacturing sector expanded in August as construction improved indicating the world second largest economy is retracting from previous slows in response to huge government spending. The official non-manufacturing Purchasing Manager Index stood at 53.5 in August as the country counts on growth in services to balance weakness in manufacturing and exports.

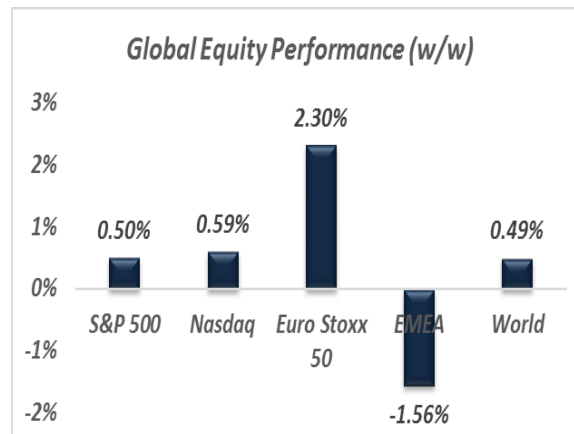
Despite stagnant economy, Japan's unemployment rate fell to 3%, the lowest in 21 years following huge stimulus packages to boost growth in the world third largest economy. The economy grew at an annualized rate of 0.2% while inflation fell below the 2% target by the Central bank.

Elsewhere in Africa, Fitch affirms Republic of Congo at CCC after it reversed Namibia outlook to negative and affirmed it BBB-. Ghana, the world second largest cocoa producer, is on the brink of receiving the next disbursement under its \$918 million aid deal with the International Monetary Fund (IMF) next month. This is in a bid to reduce deficit, public debt and inflation.

Oil prices recorded a mix movement in the previous week, loss on Monday due to increased output from Iraq and doubt of agreement in talks on an output freeze following Iran conditional participation in the upcoming Oil producers meeting. Thus Brent crude shed 38 cents to close at \$49.54dpb but rose on Friday to \$45.72dpb after loss of 3% a day earlier as dollar came off two-weeks high.

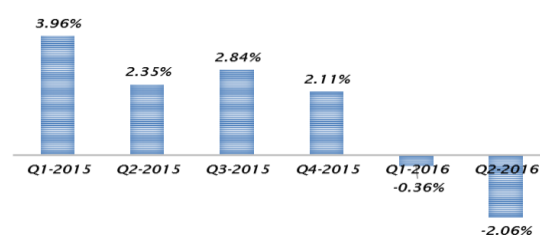
Nigeria Macro Highlight: Economy, officially in Recession

- ✓ Officially Nigeria economy is in recession following contraction in Q2 GDP growth rate by -2.06%, 1.7% lower than -0.36% drag in Q1 and 4.41% lower than 2.35% recorded in 2015 Q2.
- ✓ July inflation surged to 17.1%, a level last seen in October 2005. The main drivers were high food and energy cost following weak naira.
- ✓ Unemployment rate also jumped to 13.3% in Q2 after it increased to 12.10% in Q1.
- ✓ Nominal GDP currently stands at N23.4trn, while Real GDP closed Q2 at N16.1trn.
- ✓ External reserve dipped further by 3% to N25.5bn in August on continuous defence of the Naira.
- ✓ Purchasing Managers Index declined to 42.1 index point in August from 44.1 in the preceding month. This implies that the manufacturing sector declined at a faster rate during the review period.
- ✓ Broad money supply stands at N22trn with N93bn system liquidity.
- ✓ MPR at 14% (3.1% lower than inflation) dips investment return further into the negative territory.



Country	GDP Growth Rate	Inflation Rate	Interest Rate
Kenya	-1.4%	6.3%	10.5%
Ghana	1.1%	16.7%	26.0%
S.Africa	-1.2%	6.0%	7.0%
Angola	4.9%	35.2%	16.0%
Egypt	3.8%	14.0%	11.8%
Nigeria	-2.1%	17.1%	14.0%

QUARTERLY GDP GROWTH RATE



Macro Metrics	2016		2015	
	Q1	Q2	Q1	Q2
Nominal GDP (trn)	22.3	23.4	21.2	23.1
Real GDP (trn)	15.9	16.1	16.2	16.6
GDP Growth Rate (%)	-0.36%	-2.06%	3.96%	2.35%
Unemployment Rate (%)	12.10%	13.30%	7.50%	8.20%

Equities Roundup: Stocks gained 1.11% w/w

- ✓ Defying the negative economic data released in the week, the Nigeria equity market recovered from the previous week loss as the ASI gained 1.11% to close at 27,756.
- ✓ The Ytd returns however remained in the negative territory (-309bps) despite 3 days of positive trading driven by bargain hunting on significantly undervalued stocks.
- ✓ The Consumer Goods (+1.13%) and the Oil & Gas (+4.12%) indices benefited from gains recorded in 7up (+28.2%), SEPLAT (+15.8%) and MOBIL (+5%).
- ✓ Market breadth closed negative (-0.93x Advance/Decliner's ratio), with 28 advancers and 30 decliners.
- ✓ Volume of deals traded appreciated by 11%, indicating improved buy sentiment in the week.
- ✓ Liquidity level however depreciated mildly by 9% as value traded slowed by N4.4mn to N2.8bn.

We expect the bullish run on equities to continue in the week ahead on renewed appetite for dividend paying stocks.



Equities	
NSE Market Cap. (N'bn)	9,535
NSE Market Cap. (\$'mn)	30,291
NSE All Share Index (points)	27,757
YTD Return (%)	- 3.26
Day Return (%)	- 0.18
P/E (X)	8.9x
Dividend Yield (%)	5.20%

TREASURY bill Market closed bearish

- ✓ Bearish sentiment returned to the Treasury bill market as average yield expanded by 35bps to close at 18.02% across tenors. This was largely driven by high inflation number and stop rates on OMO auctions. Yield expansion was mostly witnessed across the mid (+109bps) and long (+27bps) maturity instruments as investors lock in on longer term instruments at attractive yield with the possibility for trading opportunities on future yield contraction.
- ✓ Despite four sessions of OMO auctions which gulped a total of N592bn out of the banking system, average interbank rate tanked by 32bps to 17.92% across tenors in the previous week. The System, however, opened the new week with N93bn liquidity. This is expected to keep average interbank rate moderated in the days ahead.

Fixed Income	
Interbank Rate	
O/N	15.0%
30-days	17.3%
90-days	18.4%
Treasury Bills	
90-days	15.6%
180-days	19.5%
360-days	21.7%
Bonds	
7-Year	15.1%
10-Year	15.2%
20-Year	15.2%
Exchange Rate	
NGN/USD	314.77
NGN/USD -Daily Return	0.47%

Bond Roundup: an extended bear run

- ✓ The secondary bonds market recorded depressed trading activity level in the just concluded week in reaction to less inspiring economic data released in the previous week (high inflation rate, GDP contraction and increased unemployment rate), thus average bond yield closed at 16.15% on Friday, a modest 1bps higher than 16.14% recorded previously. The 20-year tenor witnessed the greatest selloff (average +30bps increased in yield) as investors turned bullish on the short and mid ends of the maturity curve. This is as reflected in the 18bps and 17bps depreciation in yield on the benchmark 5-year and 10-year maturity instruments.

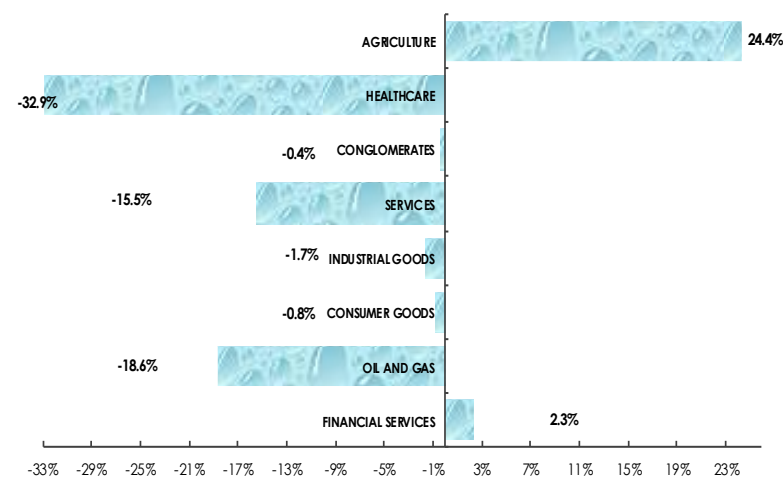
We are relatively bullish on the longer-end of the curve (10-20years) in the week ahead, even as we explore trading opportunities on the short (mostly T-bills and Money Market) maturity instruments.

A Snapshot of Our Recommendations for the Week

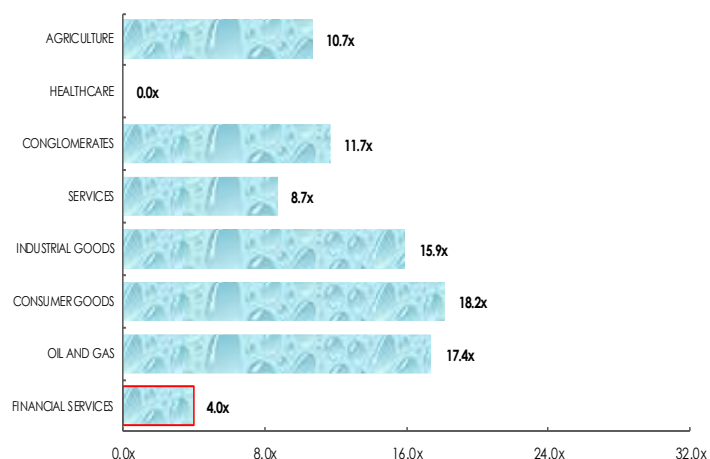
Ticker	SHO (Bn Units)	MCap (N' bn)	Mcap (\$'mn)	Current Price(N)	Target Price(N)	Upside/(Downside)	Rating*	Wow Return(%)	P/E(x)	Div Yield(%)
Financials										
UBA	33.0	148.4	810.8	4.5	4.5	0%	SELL	-2.3%	3.1x	13.33%
DIAMONDBNK	14.5	16.9	92.5	1.2	3.0	156%	BUY	0.0%	4.0x	0.00%
ACCESS	22.9	130.5	712.7	5.7	7.2	26%	BUY	0.2%	2.9x	9.65%
CUSTODYINS	5.9	23.5	128.5	4.0	4.8	20%	BUY	2.6%	5.3x	5.00%
ZENITHBANK	31.4	469.4	2564.2	15.0	16.5	10%	BUY	-3.3%	4.5x	12.04%
Non-Financials										
DANGCEM	17.0	2982.6	16293.9	175.0	182.0	4%	BUY	1.4%	17.7x	4.57%
NB	7.6	1058.8	5784.0	140.0	120.0	-14%	SELL	0.7%	27.6x	3.43%
UACN	1.9	39.4	215.1	20.5	24.0	17%	BUY	0.0%	14.0x	4.88%
OKOMUOIL	1.0	34.4	187.9	36.1	40.8	13%	BUY	0.0%	10.8x	0.28%

Source:Trustfund Pensions Plc Research, NSE

YTD Return: Oil and Gas remains the highest gainer



Valuation (P/E): Financials is the most underpriced sector



Top Ten Gainers for the Week

NSE Ticker	Mcap (N'bn)	Mcap (USD'mn)	Price (N)	WoW Return (%)
7UP	92.8	507.1	144.9	28.2%
WEMABANK	7.7	42.3	0.8	17.2%
SEPLAT	176.1	962.2	318.3	15.8%
PRESCO	45.3	247.5	45.3	11.9%
SKYEBANK	8.9	48.5	0.6	8.5%
NPFMCRFBK	2.4	12.9	1.0	8.4%
FCMB	22.8	124.4	1.2	6.5%
AICO	5.5	30.3	0.6	6.5%
MOBIL	61.6	336.4	170.8	5.0%
FBNH	102.8	561.5	3.2	5.0%

Top Ten Losers for the Week

NSE Ticker	Mcap (N'bn)	Mcap (USD'mn)	Price (N)	WoW Return (%)
MAYBAKER	0.8	4.6	0.85	-19.8%
UNITYBNK	23.1	126.2	0.72	-10.7%
JBERGER	52.4	286.4	43.69	-9.7%
CUTIX	0.8	4.5	1.57	-9.1%
CAVERTON	4.5	24.3	1.33	-8.9%
AFRIPRUD	5.0	27.2	2.49	-8.4%
NEM	4.2	22.8	0.79	-7.8%
FIDELITYBK	26.9	147.1	0.93	-5.2%
CONOIL	14.3	78.0	20.57	-5.0%
OANDO	33.2	181.1	4.86	-4.8%

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