

Monday, September 6, 2021

The day in review

- Equity market dropped 2bps
- Interbank rates declined by 500bps
- Bearish activity in Bonds market
- Naira depreciated at NAFEX window

Looking forward

NTB Primary Auction - CBN

Daily Insight

Trade deficit contracts by 52.6% q/q in Q2-2021

The National Bureau of Statistics (NBS) released Nigeria's Foreign Trade in Goods Statistics for Q2-2021. During the quarter, total merchandise trade grew 23.3% q/q and 88.7% y/y to N12.0tn from N9.8tn in Q1-2021 and N6.4tn in Q2-2020. The increase was due to a sharp growth (74.7% q/q) in the value of export compared to N2.9tn in Q1-2021 and 128.3% y/y compared to Q2-2020. As a result, export totaled N5.1tn, accounting for 42.2% (Q1-2021: 29.8%) of the entire trade component, while import was valued at N7.0tn accounting for 57.8% (Q1-2021: 70.2%) of total trade. Consequently, Nigeria's trade deficit declined by 52.6% q/q to N1.9tn in Q2-2021 from N3.9tn in Q1-2021.

The surge in export proceeds was driven by higher crude oil exports, which grew 111.3% q/q and 164.4% y/y to N4.1tn in Q2-2021 from N1.9tn and N1.6tn in Q1-2021 and Q2-2020, respectively, accounting for 80.3% of total export trade. The surge in crude oil receipts was broadly driven by higher oil prices with average Brent price printing at \$69.1/b in Q2-2021, 106.9% y/y and 12.7% q/q higher than \$33.4/b and \$61.3/b in Q2-2020 and Q1-2021. We also note the impact of naira devaluation in Q2-2021 magnified naira value of export receipts in Q2-2021. On the import front, trade value rose by 1.5% q/q and 67.5% y/y to N7.0tn in Q2-2021 from N6.9tn and N4.1tn in Q1-2021 and Q2-2020, respectively. The growth in imports reflects stronger post-pandemic consumer spending as well as relaxation of domestic and international movement restrictions, improving cross-border trade prospects.

Overall, the contraction in trade deficit is a welcome development considering the pressure on the exchange rate over the past 18 months. That said, we expect the deficit to moderate as we expect improved oil production from Nigeria, following OPEC+ plan to sustain gradual increase in oil production quota by 400,000bpd every month. In addition, we expect crude oil prices to remain stable in the near term. Nevertheless, we reiterate the need for government to diversify the economy's export proceed sources given the agelong vulnerability of export proceeds to shocks in the crude oil market.

Headline	Level	1 day	YTD
NGX ASI	39,252.9	▼ 0.0%	▼ -2.5%
Mkt. Cap (N'bn)	20,451.4	▼ 0.0%	
Mkt. Cap (\$'mn)	49,744.3	▼ 0.0%	
Value (N'mn)	1,383.7	▼ -19.7%	
Value (\$'mn)	3.4	▼ -19.7%	
Volume	211.0	▲ 17.0%	
Deals	3,989.0		
Market Breadth	1.4x		

T-Bills Yields	Current	Previous	%Δ
3 months	3.19	▼ 3.20	-0.01
6 months	4.33	▲ 4.33	0.00
12 months	6.67	▼ 6.68	-0.01

Bonds Yields	Current	Previous	% Δ
3 years	9.90	▼ 9.91	-0.01
5 years	10.54	▲ 10.40	0.14
7 years	11.21	▼ 11.25	-0.04
10 years	11.51	▼ 11.55	-0.04

Currencies	Current	Previous	% Δ
Parallel	532.00	▼ 530.00	-0.4%
NAFEX	411.13	▲ 411.50	0.1%

Other Key indices	Current	Previous	% Δ
OBB	8.0	▼ 13.0	-5.00
OVN	8.5	▼ 13.5	-5.00
Brent	72.2	▼ 72.6	-0.52

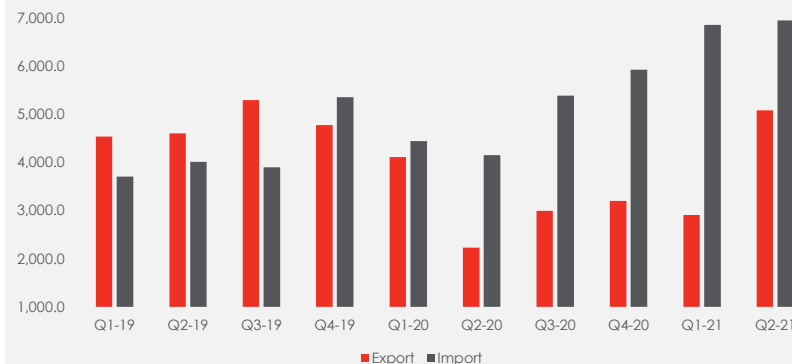
	1 day	MTD	YTD	P/E (x)	Div. Yid.
Agriculture	0.0%	▲ 0.0%	▲ 17.1%	na	na
Banks	0.5%	▼ 0.4%	▼ -3.7%	3.1	8.9%
Consumer	-0.4%	▼ -1.0%	▼ -4.6%	72.5	3.7%
Industrial	0.0%	▼ 0.6%	▼ -4.5%	16.6	4.8%
Insurance	0.0%	▲ 0.3%	▲ 1.1%	9.7	2.9%
Oil & Gas	0.3%	▲ -1.1%	▲ 61.1%	11.1	4.1%
Mkt. Avg. P/E		10.4		Mkt. Avg. Div. Yid	5.3%

*P/Es are based on the last twelve months trailing earnings
*Dividend yields are based on past year dividend payments



Pan African Market Monitor as at today					
Equities	Level	1 day	YTD	P/E (x)	Div. Yid.
BRVM	176.4	▼ -0.2%	▲ 21.4%	9.7	6.2%
Egypt	11,301.4	▲ 0.2%	▲ 4.2%	9.9	1.4%
Ghana	2,753.6	▲ 0.1%	▲ 42.0%	15.2	4155.3%
Kenya	181.0	▼ -0.7%	▲ 19.0%	13.5	3.3%
Mauritius	1,953.3	▼ -0.2%	▲ 18.5%	na	2.0%
Morocco	332.6	▼ 0.0%	▲ 9.1%	28.4	3.7%
MSCI FM	660.8	▲ 0.1%	▲ 15.6%	15.4	2.6%
South Africa	66,478.9	▼ -0.3%	▲ 11.9%	13.3	3.7%
Tunisia	7,346.5	▲ 0.1%	▲ 6.7%	22.8	2.2%
Zimbabwe	148,974.1	▲ 2.8%	▲ 221.6%	7.7	1.9%

Trade deficit contracts further but remains way-off pre-pandemic levels
Nigeria's Export and Import (N'bn)



Source: NBS, United Capital Research

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