

**PURPLE
WEEKLY**



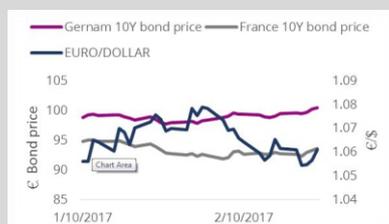
**GLOBAL
NATIONAL &
MARKET REVIEW**

February 24, 2017

GLOBAL ECONOMY

We begin our week under review with the political concerns in Europe which is front and center, giving the rise of Marie Le Pen in the French polls alongside the proposed agreement between left wing candidates (Hamon & Melechon). This led to a 0.08% decline in the Euro while the 10-yr bond yield spread between the German and French Bonds widened.

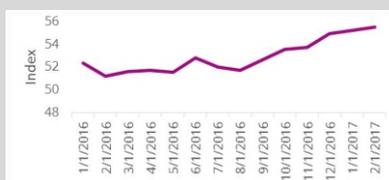
Chart 1: German & French 10Y bond spread



Source: Bloomberg/Wema Bank Plc.

On the flip side on Europe, February flash notes released during the week, revealed that growth continued to strengthen in the areas of job creation, order book, business optimism and inflation. Preliminary PMI data revealed that manufacturing activities expanded 55.2 points to 55.5 points (the highest in 70 months).

Chart 2: Eurozone PMI (Jan'16 – Jan'17)

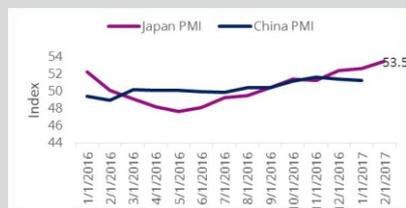


Source: Bloomberg/Wema Bank Plc.

Asia markets, led by Japan and China, continued to remain upbeat given renewed optimism in China (economic data) and increased manufacturing activity (Japan), as measured from this week's flash note. Preliminary data on Japan's PMI showed growth in manufacturing activities from 52.7 points (Jan'17) to 53.5 points (Feb'17) while wages and labour conditions

also improved. Inflation is on track to hit the 2% target though not without the risk of lower consumer spending due to higher prices (bad weather).

Chart 3: Japan and China PMI



Source: Bloomberg/Wema Bank Plc.

The chart above show the PMI data for Japan and China. We note that the Japanese gov. has lowered consumer spending for February 2017 due to cut backs by consumers from higher prices.

Oil prices remained volatile, hovering around c. \$55/barrel given consideration to increasing U.S oil inventory and the reduction in oil storage across Malaysia (6.8mb), Singapore (4.1mb) and Indonesia (1.2mb), due to narrowing spread between prompt and later delivery with consideration for storage costs.

Chart 4: Brent Crude (Jan – Feb. 2017)



Source: Bloomberg/Wema Bank Plc.

DOMESTIC ENVIRONMENT

This week we recorded the following:

- The much awaited review of the CBN's Foreign Exchange (FX) policy. This led to a considerable appreciation in the Naira which moved from N520/\$ to c. N500/\$ as at the writing of this report. However, this increases the possibility of the eventual and systematic devaluation of the Naira, as Nigeria's 3 & 6 months' forward contracts rose by 4.5% and 4.6% respectively to N373/\$ and N397.5/\$.

II. The FGN will not be borrowing from the IMF. However, plans are being made to borrow \$1 billion from the World Bank and \$1.3 billion from China. These funds are to be intervention funds for specific sectors of the economy.

- The Nigerian Sovereign Investment Agency (NSIA) is said to have secured foreign direct investment commitments of \$100 million (real estate), \$105 million (agriculture) and \$100 million (infra-credit) to be channeled to these sectors.

EQUITIES MARKET

The Nigerian All-Share Index (ASI) recorded a lack luster performance this week, given the continued uncertainty in the economy. Year to date (YTD) ended, the market has declined 6.04% having opened the year at **26,874.62** points and closed at **25,250.37** points (February 24, 2017).

In addition, market capitalization has declined by 5.31% YTD from N9.23 trillion to N8.74 trillion.

The decline is reflective of the uncertainty and weak macro-economic environment which continues to characterize the Nigerian economy.

Chart 5: NSE ALSI (Jan – 24th Feb. 2017)



Source: Bloomberg/Wema Bank Plc.

The Banking Index during the week increased by 0.79% from 276.15 points (February 10, 2017) to 273.97 points (February 17, 2017). Year-to-Date (YTD), the index has increased 0.13% from 274.32 points (Jan, 2017).

WEMA IN THE NEWS

Vanguard speaks to Wema Bank's Head of Retail & SME Dotun Ifebogun about the Nigerian retail banking space. In the exclusive interview, Dotun highlights emerging trends in retail banking and how they are influencing banks approach to the business.



WEMA BANK MEDIA HIGHLIGHTS

The Guardian – February 24, 2017

[EU politicians back call for UK to agree €60bn exit bill before trade talks](#)

Theresa May's hopes of conducting free trade talks with the EU from day one of the Brexit negotiations appear to have been dashed by an increasing number of member states taking a hard line on the process.

The British government believes there should be parallel talks on the terms of the UK's withdrawal and the future trading relationship. The timeline is key to May's hopes of completing a free trade agreement by the end of the two years allowed for negotiations under the Lisbon treaty.

Bloomberg – February 23, 2017

[Iran says oil prices over \\$55 per barrel harmful for OPEC: Fars](#)

Iran said on Thursday an increase in oil prices to more

than \$55 per barrel was not in the interest of OPEC as it would lead to a rise in output by non-OPEC producers, the semi-official Fars news agency reported.

"If oil prices specifically surge over \$55 or \$60 per barrel, non-OPEC producers will increase their crude production to benefit the most from the price hike," Iranian Oil Minister Bijan Zanganeh was quoted by Fars as saying.

China Xinhua News – February 23, 2017

[African economies urged to form airline alliances](#)

KIGALI, Feb. 23 (Xinhua) -- African governments have been urged to consider forming alliances with other airlines across the continent to maintain a strong aviation sector.

The experts attending the Aviation Africa 2017 forum that opened on Wednesday in the Rwandan capital Kigali argued that most of the continent's airlines were not strong enough to maintain a viable aviation industry on their own.

Rwanda hosts the high-level aviation meeting and exhibition from Feb. 22-23 that focuses on all aspects of the aviation industry including maintenance, repair, and operations (MRO), business aviation, defense and commercial aviation.

Bloomberg – February 22, 2017

[Richest South Africans take the pain, as Gordhan raises taxes](#)

South Africa's wealthiest individuals will bear the brunt of higher taxes introduced by Finance Minister Pravin Gordhan to plug a revenue shortfall as economic growth falters.

The top marginal income-tax rate for about 103,000 people earning more than 1.5 million rand (\$115,000) a year will be raised to 45 percent from 41 percent, Gordhan said in his annual budget, presented in Cape Town on Wednesday. He also raised the dividend withholding tax rate to 20

percent, from 15 percent, increased levies on fuel, alcohol and tobacco.

Bloomberg – February 20, 2017

[After OPEC cuts heavy oil, China teapot refiners pull U.S. supply to Asia](#)

Chinese independent, or teapot, refiners are bringing in rare cargoes of North American heavy crude in a new long-distance flow that traders say has only been made possible by OPEC's output cuts and ample supplies in Canada and the United States.

In April, at least 1 million barrels of the heavy crude Mars, pumped from the U.S. Gulf of Mexico, are expected to land in China's Shandong province and 1 million barrels of a second unidentified heavy grade will arrive in China, trade and shipping sources said last week. This follows the arrival in January of 600,000 barrels of U.S. Gulf Blend, a heavy crude made up of a blend of various U.S. and Canadian grades loaded onto ships on the U.S. Gulf Coast, according to the sources and shipping data.

DISCLAIMER: The data provided in this newsletter is for information purposes only. Wema Bank believes the data in the newsletter is accurate but does not verify its accuracy independently and does not warrant or guarantee that it is accurate or complete. Wema Bank has no obligation to provide any update or changes to the data. No investment decision should be made using this data. We value your opinion and feedback would want to hear from you, with regards the quality of our services. We are committed to ensuring you receive the best service possible. You can visit our website at www.wemabank.com for details on our products and services or call us on **08039003700(call only)**, **0705112111 (SMS only)** or send us an email at purpleconnect@wemabank.com