

**PURPLE
WEEKLY**



WEMA BANK

**GLOBAL
NATIONAL &
MARKET REVIEW**

March 10, 2017

GLOBAL ECONOMY

We begin our report this Weekly with a review of February's Purchasing Managers Index (PMI). China and Japan showed an increase in new orders, leading manufacturing firms to raise output and hiring (except China). There were concerns regarding export (decline in Japan's automobile export to the U.S). The Eurozone continued with its momentum as the month of February recorded an increase in manufacturing activities and most notably inflation, resulting from the weaker Euro, higher input prices and increased staff cost.

Globally, the rate of expansion rose from 52.7 points (Jan'17) to 52.9 points (Feb'17). Growth in emerging economies remained weaker than that in developed economies.

Chart 1: Global PMI (2015 – 2017)



Source: Bloomberg, Wema Bank

Index above 50 = expansion; below 50 = contraction.

U.S Fed Chair Janet Yellen elicited greater confidence on a possible increase rate hike starting from March, just as investors awaited February jobs report which came in at 235,000 (best job report since July 2016). We note that the dollar has strengthened on the back of the expected strong numbers. U.S unemployment declined in February to 4.7% (previously 4.8%) while wage growth increased by 2.8%.

Chart 2: Dollar Index



Source: Bloomberg, Wema Bank

The decline was recorded was post ECB monetary policy conference in which Mario Draghi gave a hawkish outlook on the Eurozone.

Still on currencies, the Pound Sterling came under pressure this week as reported consumer spending was below forecast. Furthermore, the Theresa May-led government suffered a setback from the House of Lords (giving the House of Commons more powers to reject the final terms of Britain's exit), regarding the triggering of Article 50 (Brexit).

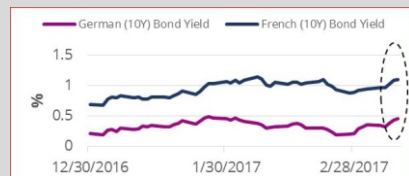
Chart 3: £/\$ exchange rate



Source: Bloomberg, Wema Bank

With economic growth and price increase being recorded in the E.U (chart 1). The European Central Bank (ECB) at its March policy decision stated that it was less necessary to prop up the market through ultra-loose monetary policy (€80 billion monthly asset purchase) which had totaled €2.3 trillion while raising 2018e economic growth to 1.7% from an earlier 1.6%. Headline Inflation forecast for 2018e was raised to 1.6% from 1.5%. On the back of the monetary decision was an appreciation in the Euro and an increase in Bond yields, as the market began pricing a rate hike.

Chart 4: German & French 10Y Bond Yield

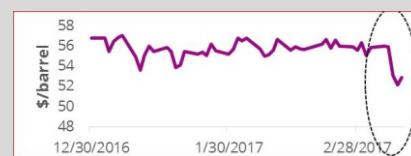


Source: Bloomberg, Wema Bank

Crude prices led discussions again, as rising inventories in the U.S, led to Brent crude trading at \$51.37/barrel with WTI crude trading at \$48.49/barrel. U.S inventory rose this week by 8.2mb vs 2mb (forecast) bringing total inventory stock to 528.4mb. While this has cast doubts on last year's production cuts, OPEC

and non OPEC members will be meeting in Kuwait (March 26th 2017) to review compliance.

Chart 5: Brent Crude price (Jan – March 10, 2017)



Source: Bloomberg, Wema Bank

DOMESTIC ENVIRONMENT

This week, we recorded the following:

- The release of the much awaited economic and growth plan (2017 – 2020). Subsequently, we expect its submission to multi-lateral institutions allowing the FGN access to critical funding, as it seeks to achieve a growth rate of 7% while keeping inflation at 10% by 2020. This will be attained through increased output, the opening of new farmlands, boosting investment in power and ports in order to diversify her revenue stream. The EGP report can be found on <http://www.nationalplanning.gov.ng/index.php/news-media/news/current-news/780-federal-republic-of-nigeria-economic-recovery-growth-plan-2017-2020>
- The CBN continued with its intervention in the foreign exchange market through its weekly sale of dollars (forwards and spot). Dollar prices in the parallel market appreciated by 0.43% from NGN465/\$ (March 3, 2017) to NGN463 /\$ (March 10, 2017).
- The National Bureau of Statistics (NBS) reported the country's Q4 and 2016 trade numbers. In Q4'16, Nigeria recorded a trade surplus of NGN671.3 billion, with both import and export

reported as NGN2,307.6 billion and NGN2, 978.9 billion respectively. Oil export remained Nigeria's dominant export at NGN2,425.4 billion (81.4%). In 2016, Nigeria recorded a 6.5% growth in external trade (NGN17,345.0 billion vs. NGN16,286.4 billion). The complete report can be found on [National Bureau of Statistics | REPORT DETAILS](#)

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 6.09% having opened the year at **26,874.62** points and closed at **25,238.01** points (March 10, 2017). In addition, market capitalization has declined by 5.42% YTD from N9.23 trillion to N8.73 trillion. The decline is reflective of the weak macro-economic environment which continues to characterize the Nigerian economy.

Chart 6: NSE ASI (Jan. – Mar. 10, 2017)



Source: Bloomberg, Wema Bank

The Banking Index during the week increased by 0.10% from 276.09 points (March 3, 2017) to 276.36 points (March 10, 2017). Year-to-Date (YTD), the index has increased 0.74% from 274.32 points (Jan, 2017). During the week, Wema Bank share price remained unchanged at N0.50/share. A total of **0.35 million** shares was traded during the week under review.

WEMA IN THE NEWS

Dotun Ifebogun (Head of Retail & SME) talks about the place of SMEs in the economic growth of Nigeria in an interview with Vanguard.

Staff of Wema Bank donate their salaries for February 14 to patients at

the Children's Emergency Ward of three state-owned hospitals in Lagos, Port Harcourt and Abuja. The initiative is tagged Purple Nectar and the theme is Salary for Love.



WEMA BANK MEDIA HIGHLIGHTS

Bloomberg – March 08, 2017

[Kenya Wants to Double U.S Coffee Shipments](#)

Kenya plans on doubling its coffee exports to the U.S., the world's largest consumer of the beverage, by marketing the East African nation's specialty premium grade beans.

"North America is a big market for specialty coffee and we expect the visibility Kenyan coffee gets will help grow our market share in the United States," Kiplimo Melli, head of Kenya's Coffee Directorate, said in an interview Wednesday in Nairobi, the capital.

China Xinhua News – March 08, 2017

['Chinas Foreign Trade Data Shows Signs of Stabilizing Economy](#)

China's foreign trade retained robust growth in the first two months of the year, adding to signs of a stabilizing economy, customs data showed Wednesday.

Imports in yuan-denominated

year-on-year last month, markedly higher than market expectations and the 25.2 percent growth in January, according to the General Administration of Customs (GAC).

Exports grew 4.2 percent, slowing from January's 15.9 percent. Total foreign trade reached 1.71 trillion yuan (nearly 250 billion U.S. dollars), up 21.9 percent year on year.

Reuters – March 07, 2017

[G20 Draft no longer rejects protectionism or competitive devaluations](#)

The world's financial leaders may no longer explicitly reject protectionism or competitive currency devaluations, a draft communique of their meeting next week showed, promising only to keep an "open and fair international trading system".

Finance ministers and central bank heads from the Group of 20 major developed and developing economies will meet on March 17-18 in the German town of Baden Baden to discuss the world economy.

It will be the first meeting of G20 finance ministers attended by representatives of the administration of U.S. President Donald Trump, who has more protectionist policy views on trade.

The draft communique seen by Reuters, which may change before March 18, appears to accommodate the new U.S. position.

Bloomberg – March 03, 2017

[A Fit U.S Shale Industry Challenges OPEC Once Again](#)

When the who's who of the oil industry met a year ago in Houston, [Saudi Arabia's](#) energy minister had harsh words for U.S. shale drillers struggling with the worst price crash in a generation.

"Lower costs, borrow cash or liquidate," said Ali Naimi, who managed the world's largest oil-

exporting business for more than two decades.

In the year since, the drillers have largely taken Naimi's advice. While more than 100 have gone bankrupt since the start of 2015, the companies that survived have reshaped themselves into fitter, leaner and faster versions that can thrive with oil at \$50 a barrel. Now, it's OPEC that's seeking solutions, desperate to drive prices up even further in a push to repair the economies of the countries it serves.

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