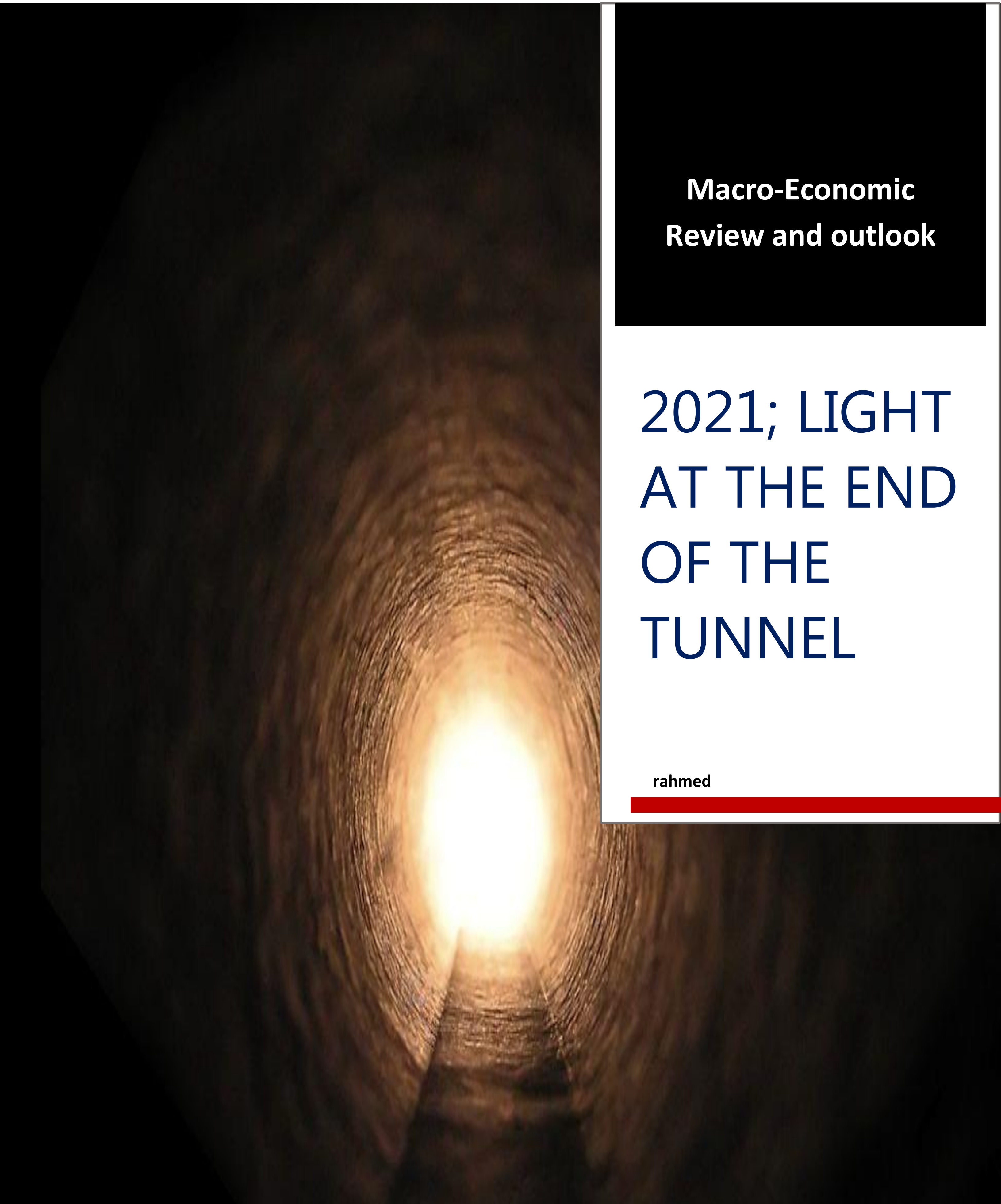

Macro-Economic Review and outlook

2021; LIGHT AT THE END OF THE TUNNEL

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Executive Summary

What a year! 2020 is a year many will never forget. The pandemic caused the biggest economic recession in decades. From the oil market to the capital market, global economy faced downturn in such an unprecedented manner as a result of the corona virus outbreak. Global GDP is expected to contract in the year and rebound by 4.3% in 2021. This rebound will mainly be driven by emerging and developing economies. Our forcast on growth trajectory will depend on uncertainties related to COVID-19 vaccine development and deployment, containment of further wave of the virus, policies of the newly elected US government and ongoing trade negotiations including Brexit. Earlier deployment of the vaccine would propel faster recovery. However, a critical downside risk to this projection is the renewed lockdown measures embarked upon by countries to tackle the second wave of the pandemic.

Nigeria is heavily reliant on oil production for FX reserves, the oil production will continue to influence the economy and the capital market. Factors such as continuous weak demand, US and Iran tension, Trade wars, Production cuts by OPEC may exert pressure on crude oil prices in 2020.

The much anticiapted 2021 is finally here, it is a defining year and we believe that there is light at the end of the tunnel. We review the impact of the pandemic on economic activities and investments in the year 2020 as well as provide insights and projections on the direction of the 2021 projections. We hope you will enjoy our analysis as we move into the year.

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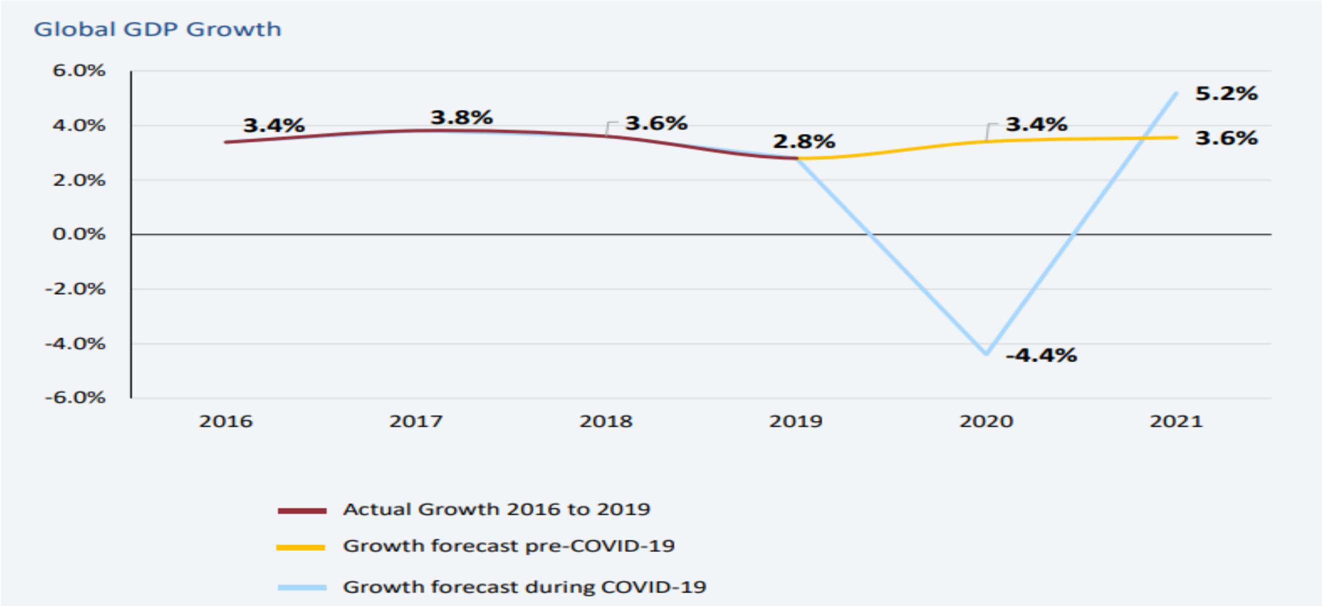
Global Economic Review



Source: IMF

The outbreak of the COVID-19 pandemic apart from the high death toll has delivered a global economic shock which led to steep recessions in many countries such as never seen in decades. However, similarly to how people with pre-existing health conditions are more susceptible to corona virus symptoms, the economic impacts of the pandemic are more severe in countries with existing economic and financial vulnerabilities. There are substantial differences across individual economies, which depends on the spread of the pandemic, growth trends before crisis, the effectiveness of containment measures, dependance on severely affected sectors such as oil and tourism. The IMF, in its October 2020 World Economic Outlook, revised the global growth estimate for 2020 to -4.4% y/y from -4.9% in June 2020.

In response to the pandemic, several economies around the world enforced regional lockdowns that invariably reduced physical interactions, closed borders and shut businesses. These measures, although set up to save lives and limit the impact of the pandemic dampened economic growth. The significant loss of working days as a result of social distancing caused a severe contraction in economic activities.

- Recent updates on vaccines coupled with increased consumer demand has brightened the economic outlook, but we believe a slow deployment of vaccines across developing economies could hamper the return of activity to pre-pandemic levels.

- The pandemic disrupted global trade as borders were closed, international travels were restricted, business activities were dwarved, emerging markets experienced capital outflows as investors sought safety in fear of uncertainty.
- Subdued economic activities led to accelerated job lossess
- Governments increased spending and turned to debt to finance its budget, hence a huge debt levels for many countries are high
- Several monetary authorities around the world adopted accommodative policies in an attempt to limit the impact of the pandemic on the economy.

The increased integration of global financial markets has enabled spill over of shocks from one economy to other countries more rapidly. If trade tensions continue, it would foster unpredictability in economic policy making and cause a drag on demand and capital investment. Globally, Inflation projections have been revised. It reflects a combination of weaker economic activity and lower commodity prices. Inflation is expected to rise gradually in 2021, consistent with the projected pickup in activity. The inflation outlook reflects expectations of persistently weak aggregate demand.

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Developed Economies

- The US economy entered into a technical recession as it contracted by -9.1% YoY in Q2-20 (Q1-20: -5.0% YoY). The contraction was driven mainly by decline in private consumption as well as a significant downturn in business investment
- Euro Area saw a similar economic performance especially as Spain, Germany, Italy, France were severely hit with large spread of the virus
- China, being the hotspot of the virus faced severe economic downturn as production activities were greatly hampered. However, its rebound was led by the industrial sector, helped by strong exports. Tourism is also on a path to recovery. China's lockdown measures coupled with weak external demand as a result of the US trade war dragged Q1-20 growth to -6.8% yoy. The government embarked on a massive fiscal stimulus to to curb the adverse impacts of the pandemic. The country embarked on a gradual ease of lockdown, after which export activities improved rapidly as global demand picked up with several countries lifting lockdowns. the COVID-19 containment measures.
- Japan also experienced a historic economic downturn as GDP shrank by 10.2% YoY in Q2-20 (Q1-20: -2.1% YoY). The lockdowns hampered export activities as global demand fell thereby shrinking the demand for Japanese goods. In Q3-20, the Japanese economy rebounded sharply as consumer spending increased following the ease of movement restriction and growth in exports

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Africa

Overall, Sub Sahara economy is expected to recover and grow modestly by 2.8% in 2021 after the contraction in 2020. The weak recovery in the continent is expected as the it's three largest economies – Nigeria, South Africa and Angola performed badly in 2020 falling into a recession with weak short term outlook.

Increasing debt burdens will push countries in the region to financial repression and printing of currency

- Growth in Africa was stalled by weak external demand and lower commodity prices.
- Nigeria fell into a recession posting a two consecutive decline in GDP (Q2-20: -6.10% y/y), (Q3-20: -3.62% y/y) due to the decline in both the oil (Q2-20: -6.63% y/y) and non-oil (Q2-20: -6.05%) sectors.
- Similarly to Nigeria, South Africa's growth plummeted except for the agricultural sector which grew slower by 15.1% y/y (vs Q1-20: 26.8% y/y)
- Egypt's growth slowed due to the decline in tourism activities, as well as the decline in gas prices.
- The establishment of The African Continental Free Trade Area should improve trade within the continent and foster economic growth. This agreement paves the way to unlocking Africa's economic potential and ability to compete in global value chains.
- Fiscal policy should be adjusted to act as policy response as financial conditions tighten globally and debt servicing rises. Tax base should be strengthened through tax administration and effective anti-tax-avoidance provisions.

Rising Debt

Global debt remains at historically high levels, and both household Global debt remains at historically high levels, and both household and corporate debt in many developed economies is higher than before the global financial crisis. Although rising debt can be justified as many countries sought after debt to provide a sort of economic buffer to the effects of the pandemic and also due to the need for growth enhancing projects to meet development goals. However, excessive debts can accumulate to unsustainable levels and carries a lot of risks.

Heavy debt servicing could have a significant chop on government revenue especially in countries with double digit interest rate, and this could lead to implementing a tighter fiscal policy to boost revenue which in turn could warn off investors. Debt management and prudent government spending should be implemented in emerging and developing economies.

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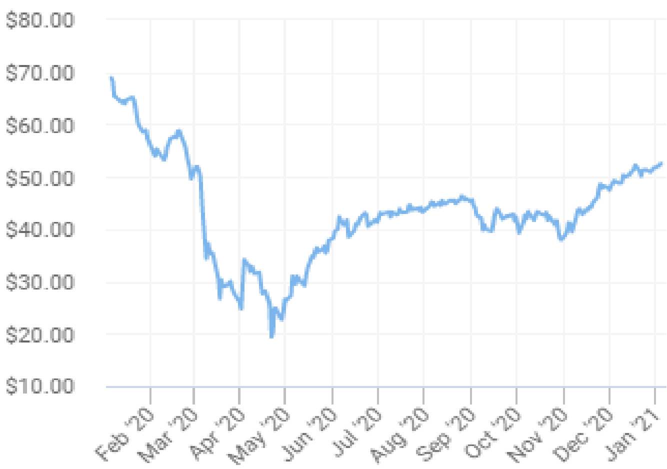
Oil Prices



A confluence of demand and supply shocks led to an unprecedented collapse in oil prices. Quarantines, lockdown, travel restrictions, shutdowns of non-essential activities led to the collapse of Oil demand.

Oil demand recovery will depend on the speed of deployment of the vaccines being developed. Although demand is not expected to return to pre-pandemic levels until 2022-2023. Another wave of the virus may further dampen the economic outlook especially for the first quarter.

The rebound of transportation and industrial sectors will lead oil demand growth in 2021. On the supply side, OPEC and non-OPEC producers in a bid to address the unprecedented instability in the market have agreed to cut their output cuts by 500,000 barrels per day from January 2021

Oil prices recovered in May after plunging in March due to the shock of the pandemic as Brent crude rose by over 150%. The recovery was driven by

- Production cuts by OPEC and OPEC+
- Modest pick up in demand as lockdown measures were eased and economic activities re-opened

- News of development and deployment of vaccine

We expect Brent crude prices to average $50/b in 2021. The forecast for higher crude oil prices in 2021 is on the premise of rising global oil demand and restrained OPEC+ oil production.

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DOMESTIC MACRO-ECONOMIC REVIEW

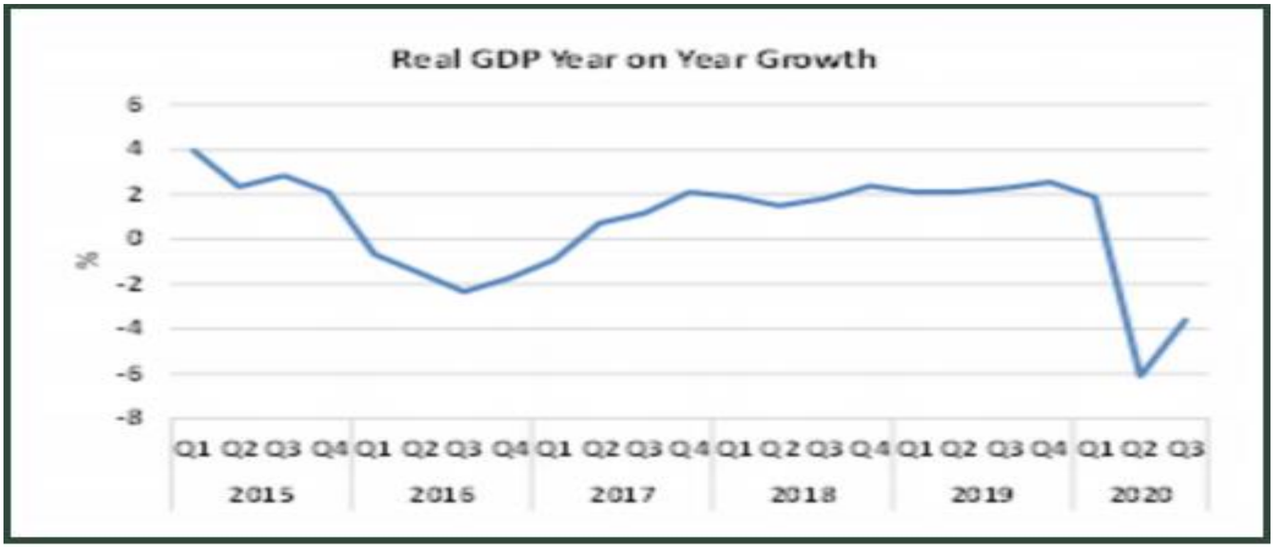
How it Started vs How it Ended

		Jan-20	Dec-20
Naira/USD			
	CBN	N305	N380
	I&E	N364	N410.25
	Parralel	N362	N470
External Reserves		$38.5b	$35.3b
Brent Crude		$68.60	$51.30
Inflation		11.98%	14.89%
MPR		13.50%	11.50%
Tbills(364 days)		5.20%	1.21%
NSE(YTD)		-14.60%	47.20%

The Nigeria economy slipped into its second recession in 5 years as Q3 GDP contracted by -3.62% following a contraction in Q2 (-6.1%). In 2021, we expect the oil sector to witness volatility as demand continues to waver and Nigeria cuts down on production in compliance to OPEC. Hence we expect recovery would be majorly driven by the non-oil sector as activities led by the service sector.

Nigeria's GDP decreased by -6.10%(year-on-year) in real terms in the second quarter of 2020, ending the 3-year trend of low but positive real growth rates recorded since the 2016/17 recession.

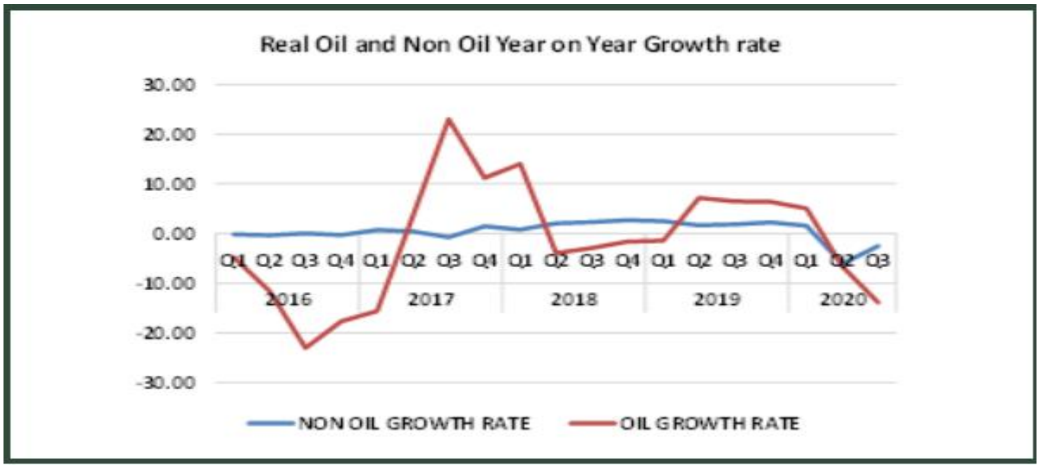
The decline was largely attributable to significantly lower levels of both domestic and international economic activity during the quarter, which resulted from nationwide shutdown efforts aimed at containing the COVID-19

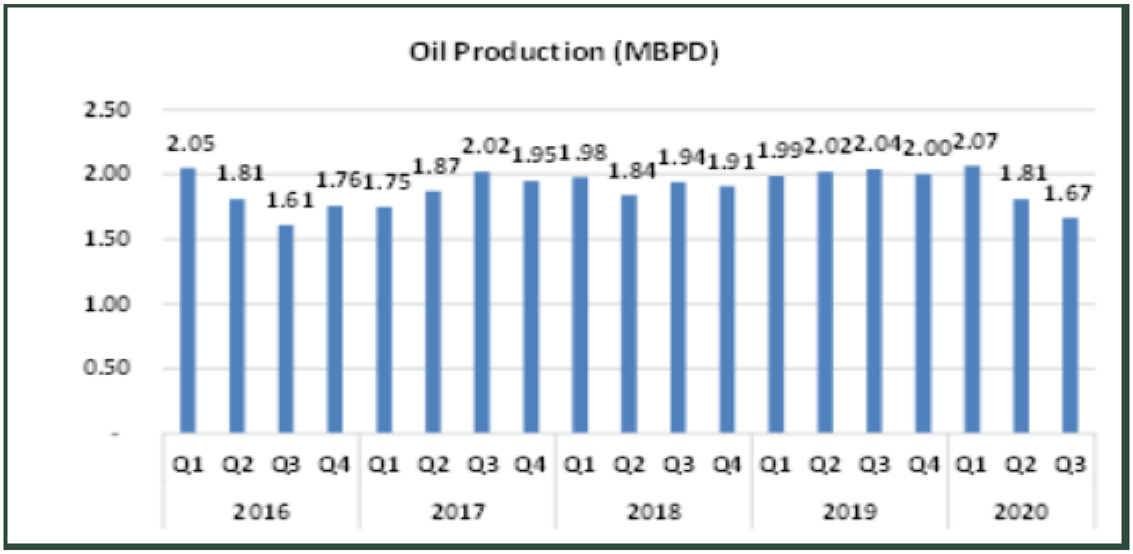


pandemic. The domestic efforts ranged from initial restrictions of human and vehicular movement implemented in only a few states to a nationwide curfew, bans on domestic and international travel, closure of schools and markets etc., affecting both local and international trade. The efforts, led by both the Federal and State governments, evolved over the course of the quarter and persisted throughout.

GDP contraction of -3.62% (year-on-year) in Q3 2020 represents an improvement of 2.48% points over the -6.10% growth rate recorded in the preceding quarter (Q2 2020).

The performance of the economy in Q3 2020 reflected residual effects of the restrictions to movement and economic activity implemented across the country in early Q2 in response to the COVID-19 pandemic. As these restrictions were lifted, businesses re-opened and international travel and trading activities resumed, some economic activities have returned to positive growth.





The effort to have a single digit inflation rate was futile, faced with a range of structural and macroeconomic constraints, including rising food prices.

The current account surplus sharply declined due to lower oil revenues, and a decline in capital inflows. Further reliance on the oil sector, without conscious efforts to develop the non-oil sector will weaken the capacity of the economy to withstand future shocks.

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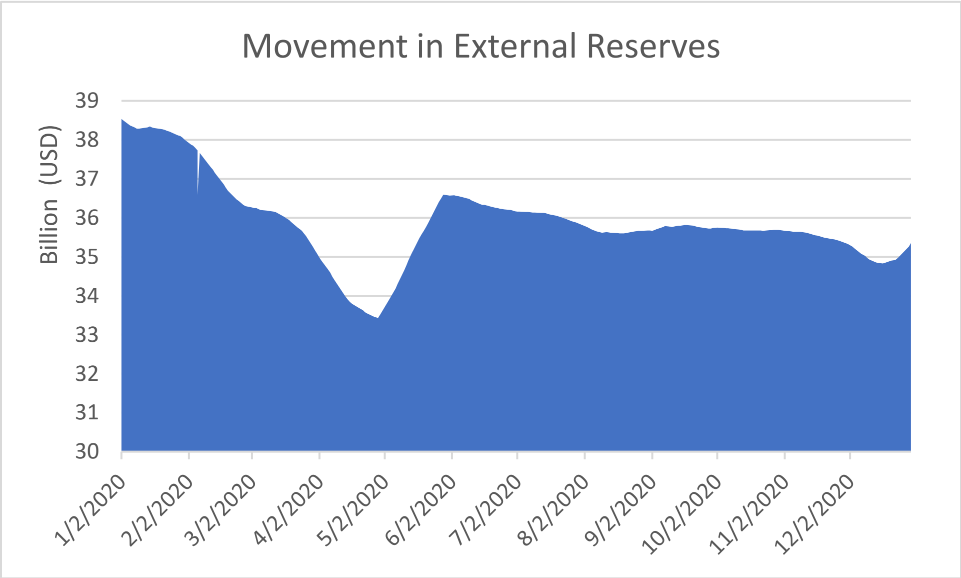

Low oil prices will continue to keep a strain on the Nigerian budget and government. Non oil revenue will not be enough to handle it's expenditure, coupled with the heavy debt servicing the country is expected to make.

We expect the economy to exit the recession and return to positive growth by Q3, 2021. This assumption is made on the premise of recovery in oil prices and the reopening of borders which will reverse the decline of the trade sector.

The commencement of the AfCFTA will impact the economy positively, however the private sector including the SME's which remains a core driver of the Nigerian economy should be encouraged to leverage on the opportunities the agreement presents. The government should enforce good policy to encourage them.

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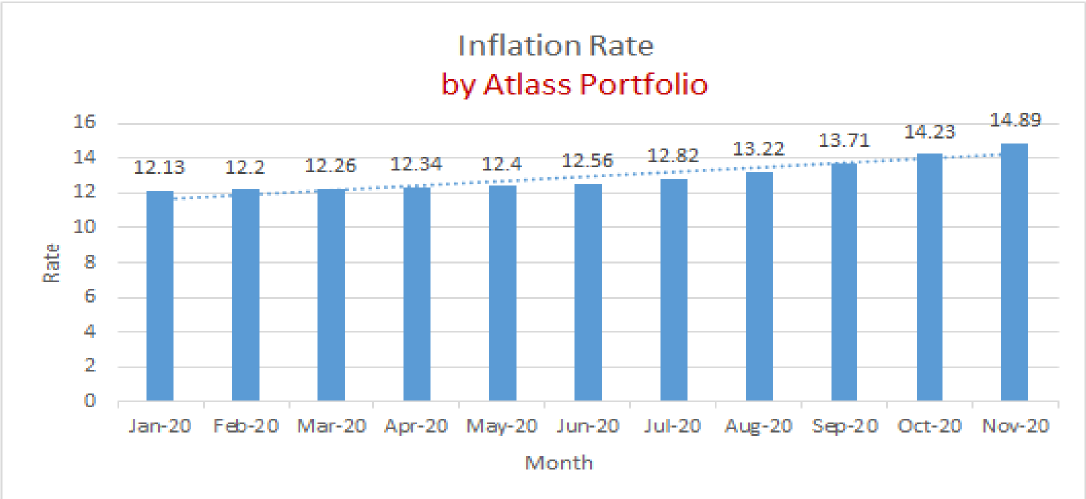
Inflation



The consumer price index (CPI) has steadily been on the increase since September 2019, largely due to cost push factors. The border closure increased pressure on food inflation as commodities supply became limited. This combined with money supply growth (3.53%), supply chain disruptions, higher logistics costs and electricity tariff hike exacerbated inflationary pressures.

Nigeria's annual inflation rate quickened for a 15th straight month to 14.89% in November of 2020 from 14.23% in October. It was the highest inflation rate since January of 2018, as food inflation hit a near three-year high of 18.3%, mainly linked to dollar shortages and surging jihadist attacks in farming areas. On a monthly basis, consumer prices inched up 1.60%, the most since May 2017, after increasing 1.54% in the previous month.

A steadily increasing inflation rate is often a sign of a struggling economy, causing prices to fluctuate, and unemployment and poverty to increase.

We expect inflation to continue to rise in 2021 albeit on a slower pace as factors that contributed to the high rates experienced during the year begin to fade off.

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Equities Market

How it Started vs How it Ended

	Jan-20	Dec-20
NSE ASI	26,867.79	40,270.72
Market Capitalization	12.75tn	21.06tn
NSE 30	1203.4	1,603.71
NSE BANKING	379.2	396.56
NSE CONSUMER GOODS	589.39	578
NSE OIL & GAS	247.8	224.74
NSE INSURANCE	128.8	190.8

The Nigerian bourse had a fantastic run in 2020 posting a YTD returns of 45.70%, making it the best performing stock exchange in the world. This was an incredible feat considering the economic shocks caused by the pandemic. Usually the stock market mirrors activities in the economy, the economic strain faced by the Nigerian economy which slipped into recession was not evident in the stock market.

Although the equities market was also affected by the pandemic, the market rallied in the fourth quarter following the excess liquidity in the fixed income space.

Foreign participation in the capital market was weakened in the year as foreign investors took to flight in reaction to the pandemic shocks and subdued external reserves. The This capital flight further pressured the foreign exchange.

SUMMARY OF TRANSACTIONS AS AT 30 NOVEMBER 2020[1]

Period	Total	Foreign ₦'Billion	Foreign %	Domestic ₦'Billion	Domestic %	Foreign Inflow ₦'Billion	Foreign outflow ₦'Billion	Domestic Retail ₦'Billion	Domestic Institutional ₦'Billion
Jan-20	235.46	70.31	29.86%	165.14	70.14%	23.81	46.5	81.67	83.47
Feb-20	148.50	71.34	48.04%	77.16	51.96%	18.97	52.37	29.56	47.6
Mar-20	242.91	110.22	45.37%	132.69	54.63%	22.49	87.73	60.23	72.46
Apr-20	128.67	53.18	41.33%	75.49	58.67%	20.98	32.20	40.42	35.07
May-20	119.15	35.24	29.58%	83.91	70.42%	18.43	16.81	42.19	41.72
Jun-20	128.88	56.34	43.72%	72.54	56.28%	25.27	31.07	32.34	40.20
Jul-20	103.21	34.59	33.51%	68.62	66.49%	13.70	20.89	32.54	36.08
Aug-20	94.45	38.98	41.27%	55.47	58.73%	17.66	21.32	26.61	28.86
Sep-20	134.97	40.05	29.67%	94.92	70.33%	14.00	26.05	35.69	59.23
Oct-20	244.90	81.72	33.37%	163.18	66.63%	25.28	56.44	69.94	93.24
Nov-20	317.81	67.31	21.18%	250.50	78.82%	25.54	41.77	106.38	144.12
2020 YTD[2]	**1898.91**	**659.28**	**34.72%**	**1239.62**	**65.28%**	**226.13**	**433.15**	**557.57**	**682.05**
2019 YTD[3]	**1800.15**	**879.4**	**48.85%**	**920.7**	**51.15%**	**397.44**	**481.96**	**452.85**	**467.85**

The dominance of the local participation in the stock market as seen in the table above, reduced the market's volatility to external shocks. Domestic investment was buoyed by the excess liquidity in the market owing to the low fixed income space, as investors adjusted their risk appetite to seek better yielding assets.

The dovish stand of the CBN also supported the rally. The CBN through the MPC reduced the MPR by 200 basis points to 11. 5 percent, in order to boost lending, discourage savings and drive growth to counter the pandemic effect on the economy, while also keeping rates low in the fixed income market. Also, the restrictions by the CBN on OMO participations helped to divert attention to the equities market.

The NSE ASI remains the only investment window in the country that outperformed inflation. The reopening of the nation's borders, excess liquidity in the system, low yields environment in the fixed income space, uptrend in oil price, the discovery of a COVID-19 vaccine have contributed to the much expected economic recovery in 2021. Also contributing to the outlook on the short term is investors' anticipation of dividend payout and possible declaration of bonus shares.

We expect the rally to continue in the short term, with over N5 trillion in fixed income expected to mature in 2021; some of which will be divested into the equities market. Also, with the reopening of the economy and many businesses returning to full operation in 2021, the potential of listed companies recording profit will improve. Many of the top tier banks and large cap stocks posted good results in Q3 2020, this shows that they were able to manage the impact of the pandemic well.

However, we note that the current rally in the market is not backed by strong fundamentals and any possible increase in yields of fixed income instruments could pose a threat to the rally. Investors will pay attention to highly liquid stocks and stocks with good fundamentals and dividend paying history.

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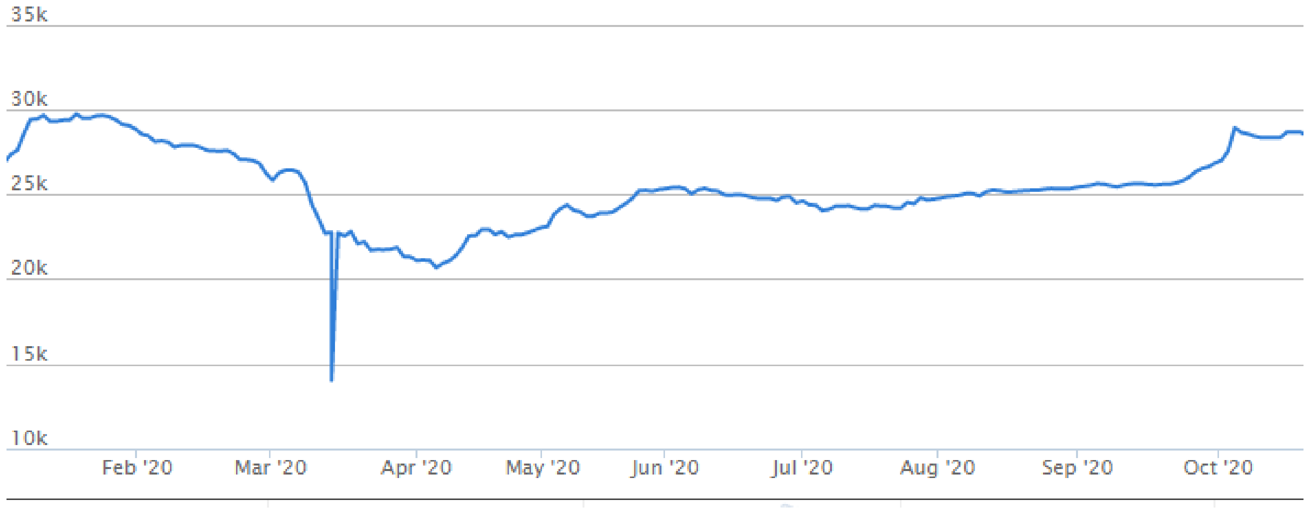
ASI Movement



Source: NSE

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YEARLY STOCK PERFORMANCE				
SYMBOL	SECTOR	OPEN	CLOSE	%CHANGE
ABCTRANS	SERVICES	0.45	0.35	-22.2%
ACCESS	FINANCIAL SERVICES	10.10	8.95	-11.4%
AFRIPRUD	FINANCIAL SERVICES	4.00	6.25	56.3%
AIICO	FINANCIAL SERVICES	0.72	1.24	72.2%
BERGER	INDUSTRIAL GOODS	6.75	7.35	8.9%
BOCGAS	NATURAL RESOURCES	5.50	8.7	58.2%
CADBURY	CONSUMER GOODS	10.55	9	-14.7%
CAP	INDUSTRIAL GOODS	24.00	20	-16.7%
CAVERTON	SERVICES	2.67	2.05	-23.2%
CHAMPION	CONSUMER GOODS	0.95	0.86	-9.5%
CHAMS	ICT	0.34	0.21	-38.2%
CHIPLC	FINANCIAL SERVICES	0.39	0.3	-23.1%
CILEASING	SERVICES	6.15	4.31	-29.9%
CONOIL	OIL AND GAS	18.60	20.85	12.1%
CORNERST	FINANCIAL SERVICES	0.49	0.59	20.4%
COURTVILLE	ICT	0.25	0.21	-16.0%
CUSTODIAN	FINANCIAL SERVICES	6.00	6	0.0%
CUTIX	INDUSTRIAL GOODS	1.33	2.2	65.4%
DAARCOMM	SERVICES	0.36	0.3	-16.7%
DANGCEM	INDUSTRIAL GOODS	142.00	245	72.5%
DANGSUGAR	CONSUMER GOODS	14.00	17.9	27.9%
ETERNA	OIL AND GAS	3.60	5.1	41.7%
ETI	FINANCIAL SERVICES	6.55	6.5	-0.8%
FBNH	FINANCIAL SERVICES	6.50	7.1	9.2%
FCMB	FINANCIAL SERVICES	1.82	3	64.8%
FIDELITYBK	FINANCIAL SERVICES	2.02	2.56	26.7%
FIDSON	HEALTHCARE	2.80	4.5	60.7%
FLOURMILL	CONSUMER GOODS	19.70	27.5	39.6%
GLAXOSMITH	HEALTHCARE	5.50	6.8	23.6%
GUARANTY	FINANCIAL SERVICES	29.20	32.7	12.0%
GUINNESS	CONSUMER GOODS	30.05	19.3	-35.8%
HONYFLOUR	CONSUMER GOODS	1.00	1.33	33.0%
IKEJAHOTEL	SERVICES	1.12	1.1	-1.8%
INTBREW	CONSUMER GOODS	9.50	5.9	-37.9%
JAIZBANK	FINANCIAL SERVICES	0.62	0.66	6.5%
JAPAULOIL	OIL AND GAS	0.20	0.52	160.0%
JBERGER	CONSTRUCTION	19.90	18	-9.5%
LASACO	FINANCIAL SERVICES	0.25	0.37	48.0%

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YEARLY STOCK PERFORMANCE				
SYMBOL	SECTOR	OPEN	CLOSE	%CHANGE
LEARNAFRCA	SERVICES	1.13	1	-11.5%
LINKASSURE	FINANCIAL SERVICES	0.53	0.48	-9.4%
LIVESTOCK	AGRICULTURE	0.50	1.3	160.0%
MAYBAKER	HEALTHCARE	1.93	3.7	91.7%
MBENEFIT	FINANCIAL SERVICES	0.20	0.27	35.0%
MOBIL	OIL AND GAS	147.90	228	54.2%
MTNN	ICT	109.00	160	46.8%
MULTIVERSE	NATURAL RESOURCES	0.20	0.2	0.0%
NAHCO	SERVICES	2.39	2.3	-3.8%
NASCON	CONSUMER GOODS	12.95	14.5	12.0%
NB	CONSUMER GOODS	59.00	56	-5.1%
NEIMETH	HEALTHCARE	0.62	2.3	271.0%
NEM	FINANCIAL SERVICES	2.42	1.49	-38.4%
NESTLE	CONSUMER GOODS	1469.90	1505	2.4%
NNFM	CONSUMER GOODS	4.30	6.13	42.6%
OANDO	OIL AND GAS	3.99	3.62	-9.3%
OKOMUOIL	AGRICULTURE	55.60	91	63.7%
PRESCO	AGRICULTURE	47.50	71.8	51.2%
PRESTIGE	FINANCIAL SERVICES	0.55	0.45	-18.2%
PZ	CONSUMER GOODS	5.65	5.3	-6.2%
REDSTAREX	SERVICES	4.45	3.36	-24.5%
REGALINS	FINANCIAL SERVICES	0.20	0.21	5.0%
ROYALEX	FINANCIAL SERVICES	0.33	0.25	-24.2%
RTBRISCOE	SERVICES	0.21	0.2	-4.8%
SEPLAT	OIL AND GAS	592.10	402.3	-32.1%
SOVRENINS	FINANCIAL SERVICES	0.20	0.2	0.0%
STANBIC	FINANCIAL SERVICES	40.00	44.05	10.1%
STERLNBANK	FINANCIAL SERVICES	1.90	1.99	4.7%
SUNUASSUR	FINANCIAL SERVICES	0.20	1	400.0%
TOTAL	OIL AND GAS	110.90	130	17.2%
TRANSCORP	CONGLOMERATES	1.07	0.93	-13.1%
UACN	CONSTRUCTION	8.90	7.5	-15.7%
UAC-PROP	CONGLOMERATES	1.00	0.8	-20.0%
UBA	FINANCIAL SERVICES	7.20	8.5	18.1%
UBN	FINANCIAL SERVICES	6.05	5.6	-7.4%
UCAP	FINANCIAL SERVICES	2.40	4.8	100.0%

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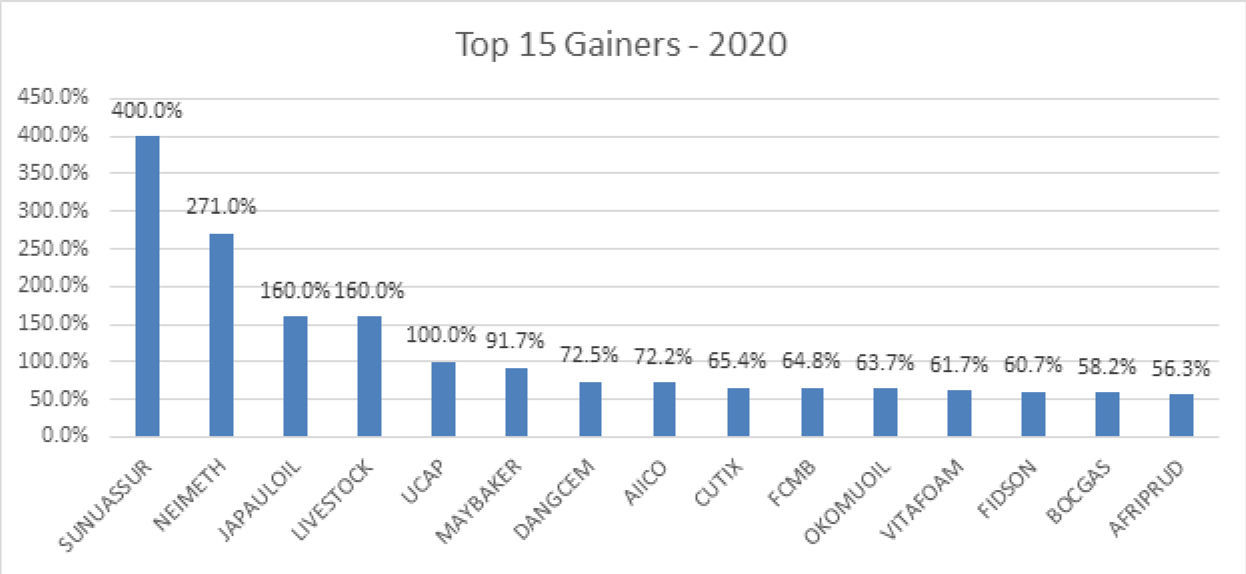
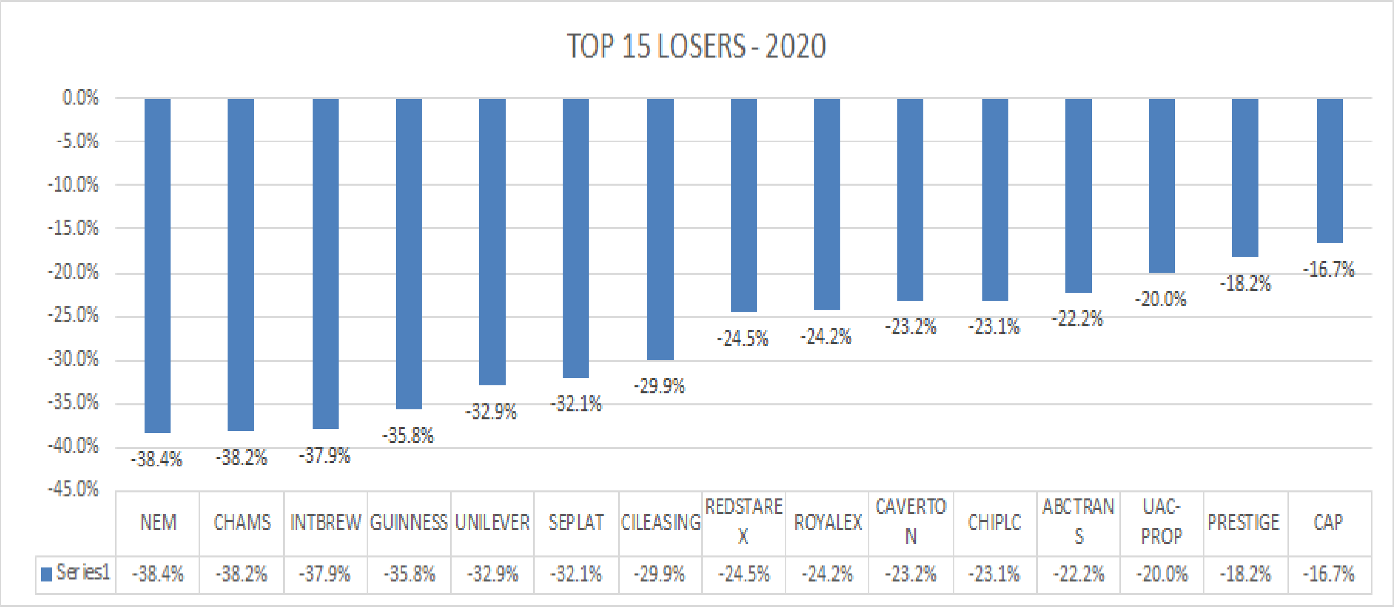
YEARLY STOCK PERFORMANCE				
SYMBOL	SECTOR	OPEN	CLOSE	%CHANGE
UNILEVER	CONSUMER GOODS	20.70	13.9	-32.9%
UNIONDAC	HEALTHCARE	0.22	0.31	40.9%
UNITYBNK	FINANCIAL SERVICES	0.67	0.68	1.5%
UPL	SERVICES	1.30	1.28	-1.5%
VITAFOAM	CONSUMER GOODS	4.70	7.6	61.7%
WAPCO	INDUSTRIAL GOODS	13.80	21	52.2%
WAPIC	FINANCIAL SERVICES	0.35	0.4	14.3%
WEMABANK	FINANCIAL SERVICES	0.68	0.68	0.0%
ZENITHBANK	FINANCIAL SERVICES	18.70	25	33.7%





Once the effect of the pandemic begins to fade off, foreign investors may be attracted by the performance of the Nigerian bourse. Also with the continuous fall in interest rate for short term investments, investors should find their way back to the market. The PFA's will dominate the local market players and could equally find stock prices reliable.

With the uncertainty looming over the economy, investors anticipate companies full year results, many anticipate fair earnings considering the lockdown and the effect on the economy. Very few companies on the NSE operate in a Covid proof industry. Hence, corporate earnings will be pressured except for sectors such as healthcare, technology, and household utilities.

In the year ahead, we believe the risks which poised the global and domestic economy will fade away gradually but slowly as there's light at the end of the tunnel. However, this will largely be affected by the assumptions stated in this report. If a prevalence of positive events occurs, then economy grows, and vice versa

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