



NEWS LETTER:

8TH – 12TH MARCH 2021.

HIGHLIGHTS:

- Insecurity, unstable forex affecting investments in Nigeria – Netherlands.
- After raising \$179m, Nigeria's \$1billion valued Flutter wave eyes New York listing.
- With \$1,400 stimulus checks set to hit bank balances, stocks could benefit.
- Stock investors lose N371bn in one day.
- Tesla surges almost 20%, biggest daily rise in a year

RATE MONITOR:

INFLATION RATE: 15.75%

M.P.R: 13%

G.D.P: 1.9%

GLOBAL ECONOMY:

- **With \$1,400 stimulus checks set to hit bank balances, stocks could benefit:**

A chunk of President Joe Biden's coronavirus relief package is poised to end up in the stock market and could provide a boost for GameStop and other stocks embraced by individual investors active in online social media forums. The relief package, which is on track to be signed into law later this week, is set to provide \$400 billion in direct payments of \$1,400 per person, helping individuals earning less than \$80,000 annually and couples making less than \$160,000. The government should be able to start delivering checks almost immediately once Congress finalizes the bill and Biden signs it. "I do think that you will find a lot of that stimulus money will end up in the market, and I think if anything it's a bullish catalyst," said Randy Frederick, vice president of trading and derivatives for Charles Schwab. A Deutsche Bank survey of 430 retail investors last month found that on average they plan to put 37% of any stimulus checks directly into equities.

At that rate, the amount from the latest package that could go into stocks ranges from \$25 billion, if only traders with online accounts spend money on stocks, to as much as \$150 billion, if all stimulus recipients spend their checks in the market in the same proportion, according to Deutsche Bank strategist Parag Thatte. U.S. equity funds have been seeing near-record inflows of about \$15 billion a month, "so incremental flows stemming from stimulus payments can be sizable, especially if deployed quickly," Thatte said in an email. Despite a recent pullback in stocks, including a 10% correction in the tech-heavy Nasdaq, the benchmark S&P 500 is near record

high and has climbed more than 70% from lows during the throes of the pandemic in March 2020. If stimulus payments do flow into the stock market, they could end up disproportionately going to GameStop or other stocks favored by retail investors active on social media platforms.

Frederick said that younger adults tend to be on the lower end of income brackets, and therefore more likely to be eligible to receive stimulus payments, and that younger investors are more inclined to invest in so-called "meme stocks." Shares of GameStop were soaring to start the week, following news about the video game chain's e-commerce strategy, while other stocks favored by retail investors on forums such as Reddit's WallStreetBets also were rallying. There was some evidence of stimulus excitement among investors on social media platforms. On the popular WallStreetBets forum, an account called "IwantSpaceX" posted: "Lets get our Stimmy checks IN!" The stimulus payments could add fuel to interest from individual investors that has already been rising, with the COVID-19 pandemic leaving Americans with more time in front of their computers or on their smartphones. Goldman Sachs strategists recently raised their 2021 net equity demand estimate from households from \$100 billion to \$350 billion, reflecting "faster economic growth and higher interest rates than we had assumed previously, additional stimulus payments to individuals, and increased retail activity in early 2021."

"We expect Households will be the largest source of equity demand this year," Goldman strategists said in a note.

Brokerage TD Ameritrade saw nearly 1.76 million retail accounts opened during January through September of 2020, a record amount for the company for the first nine months of a year.

"People have time, people have interest and now they are actually starting to understand what it is they are investing in," said JJ Kinahan, chief market strategist at TD Ameritrade. "You have really started to see an interest from the individual investor in a way that we have never seen before."

- **Tesla surges almost 20%, biggest daily rise in a year:** Shares of electric vehicle maker Tesla Inc surged nearly 20% on Tuesday, rebounding from a deep selloff with its largest daily gain in a year after data showed an increase in China sales and an analyst raised his rating on the stock. The jump, which added over \$100 billion to Tesla's market capitalization, stopped a five-day streak of losses for the company in a Nasdaq slump in which investors spooked by rising interest rates have abandoned growth stocks with heady valuations.

New Street Research analyst Pierre Ferragu raised his Tesla rating to "buy" from "neutral," and upped his target price to \$900 from \$578. Tesla's stock ended at \$673.58 after its strongest daily rise since February 2020. The stock remains down more than 20% from its January record high. Traders exchanged nearly \$43 billion worth of Tesla shares, more than any other stock and almost triple the second most-traded company, which was Apple, according to Refinitiv data. "As much as the market severely corrected the recent excesses of optimism reflected in Tesla's valuation, our recent work strengthened our confidence about the solid outlook for the company in the next two years," Ferragu wrote in a client note. Tesla sold 18,318 China-made vehicles in February, up from 15,484 in January, Chinese auto industry body CPCA said. Cathie Wood, whose \$25 billion ARK Innovation exchange-traded fund is the largest actively managed ETF tracked by Lipper, said on a webcast that she saw the recent stock market selloff as a buying opportunity, the Financial Times reported. Here Tesla is the largest holding of ARK Innovation, which is popular with retail investors. The ARK Innovation fund was up 10% on Tuesday. Tesla's stock remains up about 70% over the past six months. Thirteen analysts have neutral ratings on Tesla, while 12 recommend buying and 10 recommend selling, according to Refinitiv. Tuesday's Tesla rally accompanied a 3.7% jump in the Nasdaq, as U.S. bond yields retreated and investors picked up battered technology stocks. Tesla was the biggest contributor to the 1.4% gain in the S&P 500, which it joined in December.

DOMESTIC ECONOMY:

- **Insecurity, unstable forex affecting investments in Nigeria – Netherlands:** Some foreign investors on Tuesday 9/3/2021 charged the Federal Government to address the level of insecurity in Nigeria as well as concerns with the country's foreign exchange rate. Nigeria's forex rate has been fluctuating over time with naira crashing repeatedly against the dollar. Speaking in Abuja on Tuesday, the Netherlands Ambassador to Nigeria, Harry van Djik, said the Nigerian government should address insecurity as this was a factor that had been affecting investment. Djik spoke during a visit to the Minister of Industry, Trade and Investment, Adeniyi Adebayo, according to a statement issued by the minister's media aide, Ifedayo Sayo, on Tuesday.

The statement read in part, "Djik who visited the minister to seek his consent on the revival of bilateral trade consultation between the two countries had wanted the government to address the issue of insecurity and foreign exchange for investors in the country." The ambassador also spoke on the need to revive the bilateral consultation between Nigeria and Netherlands, noting that the spread of the COVID-19 pandemic forced a postponement of further meetings. On his part, Adebayo assured investors from the Netherlands that the Federal Government was addressing the issue of insecurity across the country.

The minister said the President, Major General Muhammadu Buhari (retd.), recently changed his service chiefs and took other security measures to assure Nigerians and the business community of his desire to ensure that the country was safe for all and sundry. He also said his ministry had set up a working group on the bilateral consultation between both countries and expressed hopes that before the end of the year, the meeting would be revived. Adebayo told his guests that he had got commitment from the governor of the Central Bank of Nigeria on the issue of forex, as a meeting on the matter would be held soon. Adebayo further said that the Federal Government recently signed an agreement for the provision of 25 megawatts of power to each of the free trade zones in Kano and Calabar, urging the investors to also take advantage of this. In another development, the minister assured the Kano State Government of the ministry's preparedness to partner Kano State Chambers of Commerce, Industry, Mines and Agriculture in the rehabilitation of the state trade fair complex.

- **After raising \$179m, Nigeria's \$1billion valued Flutterwave eyes New York listing:** Nigeria-founded payments company Flutterwave has raised \$170 million from investors to expand its customer base, pushing its valuation up to more than \$1 billion.

Founded in 2016 by Nigerians and headquartered in San Francisco, the company specializes in individual and consumer transfers. It is Africa-focused. The company's CEO now said it could consider a New York listing. Flutterwave is one of several fintech groups aiming to facilitate and capitalize on a booming African payments market driven by increased mobile phone use and faster internet speeds. "We may consider the possibility of listing in New York or a possible dual listing in New York and Nigeria," Flutterwave's CEO and co-founder Olugbenga Agboola told Reuters in a telephone interview late on Tuesday. Flutterwave on Wednesday said it had "secured \$170 million from a leading group of international investors" to expand its customer base in existing and international markets and to develop new products. "The company's valuation is now in excess of \$1 billion. The fundraised brings the total investment in Flutterwave to \$225 million," it said in a statement, adding that the COVID-19 pandemic had accelerated the shift to digital payments in Africa. The fundraising round was led by Avenir Growth Capital and Tiger Global Management LLC. "Flutterwave is at the forefront of innovation in payments technology," said Jamie Reynolds, a partner at Avenir Growth Capital. "We are excited to support the team as they build the last available payments infrastructure frontier in the world – connecting merchants and consumers intra-Africa and globally."

- **Stock investors lose N371bn in one day:** Investors on the Nigerian Stock Exchange on Tuesday lost N317bn in a trading session amid sell pressure on bellwethers, the News Agency of Nigeria reported. Specifically, the market capitalization which opened at N20.612tn shed N371bn or 1.80 per cent to close at N20.241tn. Also, the All-Share Index dipped 709.72 points or 1.80 per cent to close at 38,686.85 from 39,396.57 achieved on Monday. Accordingly, the month-to-date and year-to-date losses increased to 2.8 per cent and 3.9 per cent respectively. The downturn was impacted by losses recorded in medium and large capitalized stocks, amongst which are Lafarge Africa, United Bank for Africa, Greif Nigeria, Northern Nigeria Flour Mills and Zenith Bank. Market sentiment remained negative with 21 losers compared with 15 gainers.

UBA led the losers' chart in percentage terms, dropping by 10 per cent to close at N7.20 per share. Caverton Offshore followed with a loss of 9.55 per cent to close at N1.80, while NNFM lost 9.52 per cent to close at N5.70 per share. Greif lost 9.46 per cent to close at N6.70, while AXA Mansard Insurance shed 9.09 per cent to close at 90k per share. On the other hand, Champion Breweries recorded the highest price gain of 9.78 per cent to close at N2.02 per share. Neimeth International Pharmaceuticals followed with 9.71 per cent to close at N1.92, while Mutual Benefits Assurance gained 8.11 per cent to close at 40k per share. Dangote Sugar Refinery gained 7.99 per cent to close at N18.25 per share, while Associated Bus Company appreciated by 7.14 per cent to close at 30k per share. In spite of the drop in market indices, the total volume of shares traded rose by 64.8 per cent with an exchange of 545.92 million shares worth N9.59bn achieved in 5,307 deals. This was in contrast with a turnover of 297.23 million shares valued at N3.15bn transacted in 4,655 deals on Monday. Transactions in the shares of UBA topped the activity chart with 123.27 million shares worth N887.63m. Notore Chemical Industries followed with 74.07 million shares valued at N3.67 billion, while Mutual Benefits Assurance traded 58.04 million shares worth N23.19m.