NEWS HIGHLIGHTS. **22nd – 26th February 2021.**

RATE MONITOR.

Inflation Rate: 16.47%

GDP Rate: 2.2%

MPR: 11.5%

HIGHLIGHTS.

- Oil prices drop as gasoline demand from U.S refineries remain poor.
- World's largest oil producer loses four million barrels per day.
- German Economy Robust at End of 2020 But Near-Term Outlook Weak
- Zenith Bank's stellar earnings pause bearish trend at Nigerian bourse.
- 2020 budget performance: FG achieves 89% capital release in December 2020.

GLOBAL ECONOMY.

Germany's economy proved more resilient to the coronavirus than expected at the end of 2020, though extended lockdowns and slow vaccine rollouts mean the start of 2021 still looks bleak. Output rose 0.3% in the fourth quarter as construction picked up and exporters benefited from stronger international demand. Consumer and government spending both dropped. The dominant concern for Europe's largest economy now is that activity will remain restrained until vaccinations allow virus restrictions to be loosened. Business closures and social constraints have been repeatedly extended, and European Union vaccinations lag far behind the U.S. and U.K. "The stricter lockdown measures since mid-December, the harsh winter weather in February, a reversal of any pre-Brexit hoarding in the U.K. and weaker foreign demand at least from other euro-zone countries have increased the risk of an unwelcome rotation," Carsten Brzeski, global head of macro at ING, wrote in a report. "The growth drivers of the fourth quarter could easily become drags in the first." German Chancellor Angela Merkel's government has warned that the country is in the midst of a third wave of coronavirus infections and that moves to reopen schools and businesses should be weighed with caution. The hope is that a recovery can finally gain traction in the second quarter. The EU is starting to catch up in securing vaccine supplies and is on track to immunize its population faster than anticipated. German companies surveyed by the Ifo institute this month said they're increasingly optimistic for a rebound, despite the current struggles.

On the foreign side, Stephen Innes, Chief Global Market Strategist at Axi in a note to Nairametrics spoke on the same prevailing conditions weighing hard on the world's biggest and most liquid stock market. He buttressed more on rising U.S Treasury yields, an arch-enemy to U.S stocks, as investors switch their attention momentarily to the bond market; "US equities were weaker Friday while US 10-year yields rose a further 4bps to 1.34%. Those moves were capping off the overriding trend in markets last week: growing concerns about inflation risks pushing nominal bond yields higher and weighing on the equity rally. "The Biden administration continues to stay on message stressing Congress's need to pass a significant fiscal package downplaying recent more robust economic data as its full-throttle as a package exceeding US$1.9 trillion heads for a House vote this week in a fast and furious attempt to get the US back to full employment next year. The unprecedented and highly stimulatory policy is an attempt to exceed one million jobs a month from April to September. Still, it underscores the narrower timeline from easing to tightening than post-GFC. And suggest taper tantrum fears are understandable even if severe inflation is still a 2022 issue," Innes said.

DOMESTIC ECONOMY.

Zenith Bank had earlier released its audited financial year 2020 results showing impressive growth on the back of a stellar Q4 outing. The Nigerian bourse ended the second trading session slightly positive amid impressive gains from Zenith Bank. The All Share Index improved by 0.03% to 40,164.86 index points. Year-to-date return and market capitalization settled at -0.26% and N21.01 trillion respectively. A total volume of 337.9 million units of shares, valued at N3.84billion exchanged hands in 4,164 deals. The most traded stocks by volume were FBNH (64.58 million units), ZENITHBANK (52.67 million units), TRANSCORP (41.98 million units) and while ZENITHBANK (N1.34 billion), FBNH (N471.80 million) and UBA (N128.22 million) topped the value chart.

Rising bond yields expected to add pressure on Nigerian and U.S stock markets The latest outcome of the Nigerian Treasury Bill auction points towards yield elevation in the short term. The Nigerian stock market ended the past week cumulatively on a bearish note. The NSE All-Share Index and Market Capitalization depreciated by 0.63% and 0.61% to close the week at 40,186.70 index points and N21.026 trillion respectively. Local investors are currently hunting for greater returns on investment thus increasingly selling off their equity positions and plowing the proceeds in fixed income instruments at a time majority of companies' earnings reports for 2020 are yet to be issued. The latest outcome of the Nigerian Treasury Bill auction points towards yield elevation in the short term. The most recent data retrieved from CardinalStone Research revealed benchmark yields advanced by an average of 10 basis points. The overnight and open buyback rates rose by c.17.00% apiece to 20.50% and 20.00% respectively, following the retail FX auction conducted alongside OMO and bond auction settlements. Also, the sentiment seems to have reversed given the mixed signal from the fixed income market that yields may begin to rise faster-than-anticipated after the outcome of the last OMO and NTB auctions conducted by the CBN," said Abiodun Keripe, Managing Director, Afrinvest Research.

That being said, timing is still everything. The next leg of the reflation will have to be carried more and more by a continued recovery in economic growth, as fiscal and monetary stimulus gets increasingly packed into the prices of global equities.