NEWS HIGHLIGHTS: **31st May – 4th June 2021.**

- **World stocks hit another record, oil up in big data.**
- **Stocks Hover Near Record Highs On Rebound Bets, Oil Rallies Above $70.**
- **Rising debt service cost weighing on FG's revenue – PwC**
- **Oil export revenue dropped by 98% in April –NNPC**
- **7,000 oil reserves discovered, only 1,700 producing – FG**

WEEKLY RATES REPORT.

GDP	=	**2.2%**
INFLATION RATE	=	**17.33%**
MPR	=	**16%**

GLOBAL ECONOMY.

- **World Stocks Hit Another Record, Oil Up In Big Data Week:**

Global stocks again hit a record high and oil rose on Tuesday, as markets shrugged off concerns about rising inflation and looked ahead to U.S. data later in the week that should offer a major clue to the health of the world economy. Risk markets have eked out gains in recent weeks as traders balance optimism that some key markets are reopening after pandemic-induced lockdowns with concern that rising inflation could prompt central banks to rein in stimulus programmes. The recovery from COVID-19 also remains patchy in many parts of the world, with exports reviving but broader economic activity still dampened by measures to contain fresh outbreaks. Against that backdrop, May euro zone inflation came in higher than expected at 2%, driven by rising energy costs, above the European Central Bank's target of below but close to 2% - and with even higher levels expected later in the year.

Later in the week, Friday's U.S. jobs data should also give a firmer steer on near-term Fed policy action. In advance of that, MSCI's broadest gauge of global stock markets (.MIWD00000PUS) rose 0.3% to a record high, led by broad gains across Europe's leading indexes, with the STOXX Europe 600 (.STOXX) extending gains to trade up 1.1%

"Although global stocks are now around 20% above pre-pandemic highs, a combination of strong earnings growth and reasonable valuations relative to still-low bond yields points to further upside for stocks," said Mark Haefele, Chief Investment Officer, UBS Global Wealth Management. Overnight, MSCI's broadest index of Asia-Pacific shares outside Japan (.MIAPJ0000PUS) rose 0.6%, hitting the highest in a month and taking total gains so far this year past 7%. South Korean stocks (.KS11) rose 0.6% after a jump in May exports, and Chinese stocks (.CSI300) climbed 0.2% after data showing factory activity expanded at the fastest pace this year in May.

This week's main event is Friday's U.S. payrolls data, with markets looking for a signal from the Federal Reserve on when it will start tapering its bond-buying programme. Median forecasts are that 650,000 jobs were added in May, but the outcome is uncertain following April's unexpectedly weak 266,000 gain. Though U.S. inflation data last week was above estimates, another big miss on the jobs front would delay prospects for any wind-down of stimulus, analysts say

- **Stocks Hover Near Record Highs On Rebound Bets, Oil Rallies Above $70**

Stock markets hovered near record highs on Wednesday as investors cheered the latest evidence of a sustained rebound in global economies and stronger oil prices lifted energy stocks. The mood was less buoyant than on Tuesday, however, as traders waited for crucial U.S. jobs data on Friday to assess what the increasing evidence of a faster-than-expected economic recovery would mean for central bank policy in the United States and Europe. A strong expansion in U.S. and European factory activity in May had lifted world shares to record highs on Tuesday. The broad Euro STOXX (.STOXX) gained 0.22% slightly below Tuesday's record high. British shares extended their rally with the FTSE 100 (.FTSE) up 0.36%, while Germany's DAX (.GDAXI) and the French CAC 40 (.FCHI) gained marginally. The MSCI world equity index (.MIWD00000PUS), which tracks shares in 49 countries, was 0.1% lower. Futures pointed to a slight fall on Wall Street at the open.

Crude oil prices rallied again after closing above $70 a barrel for the first time in two years, aided by investors wagering that the economic recovery would lift energy demand and that supply would fall behind. Mark Haefele, chief investment officer at UBS, Global Wealth Management, said vaccination rollouts would spur "a return to normal patterns of mobility, supporting energy demand", while support for prices also came from an OPEC showing discipline about production increases. "We see energy firms as among the main beneficiaries of the broader global reflation trend, along with financials," he said. While broader stock markets remain close to record highs, the momentum of earlier in the year has ebbed as investors begin to worry a stronger-than-expected rebound from COVID-19 means higher inflation and sooner-than-expected monetary policy tightening. Economies are recovering much faster than anticipated -- data on Wednesday showed Australia's economy racing ahead last quarter as consumers and businesses spent with abandon, lifting output back above where it was last year before the pandemic. Bond and currency markets were calm as traders wait on data for clues as to the recovery's progress. The Aussie was last down 0.3% to $0.7730. The euro slipped 0.2% to $1.2194, just shy of recent highs as the dollar bounced off five-month lows against major rivals. While investors have built sizeable short positions against the U.S. dollar, some investors worry about a surprise hawkish tone from the Federal Reserve at its meeting later in June. Benchmark U.S. Treasury 10-year rates were steady on Wednesday at 1.6113%. German benchmark 10-year Bund yields slipped 1 basis point to 0.187% lower but have largely shrugged off HICP data on Tuesday showing euro zone inflation rose to 2% in May -- a sign that markets were confident the European Central Bank would not decide to slow the pace of its bond buys when it meets on June 10. "As the major developed economies continue to reopen from COVID lockdowns the focus on central bank meetings is going to intensify," MUFG analysts said in a monthly outlook note. They expect the ECB to avoid signalling a slowdown in bond purchases, but think the Fed might confirm that "very initial" discussions on tapering its bond buying have begun. Brent futures added 0.6% to $70.65 per barrel and U.S. West Texas Intermediate crude added 0.56% to $68.10 per barrel, despite the OPEC+ alliance agreeing to hike output in July.

Cryptocurrency prices were calm, with Bitcoin rising 1% to $37,127.

DOMESTIC ECONOMY:

- **Rising Debt Service Cost Weighing On FG's Revenue – Pwc**

The increasing cost of servicing debt continues to weigh on the Federal Government's revenue profile, a PwC report has said. This report was titled 'Nigeria Economic Alert: Assessing the 2021 FGN Budget.' According to the report, the Federal Government keeps spending a huge amount of its revenue to service debt, and the debt-to-revenue ratio in 2020 is about 83 per cent. It said, "Actual debt servicing cost in 2020 stood at N3.27tn and represented about 10 per cent over the budgeted amount of N2.95tn. This puts the debt-to-revenue ratio at approximately 83 per cent, nearly double the 46 per cent that was budgeted.

"This implies that about N83 out of every N100 the Federal Government earned was used to settle interest payments for outstanding domestic and foreign debts within the reference period. In 2021, the FG plans to spend N3.32tn to service its outstanding debt. This is slightly higher than the N2.95tn budgeted in 2020."

In a recent telephone interview with The PUNCH, a financial expert, Ovie Ogidiaka, spoke on the risk of increasing debt in Nigeria, saying the money that should be used for capital infrastructure was deployed to service debt. "Accumulated debt can hinder a country's development, especially when most of the revenue generated is used to service debt. When money that should be used to pay salary or cover cost of capital infrastructure is used to pay debt, people are affected as they don't have enough money to spend. So, when huge amount is used to service debt, there is no way capital development can happen, and this affects the people and the country generally," Ogidiaka had said.

- **<u>Oil Export Revenue Dropped By 98% In April –NNPC</u>**

The Nigerian National Petroleum Corporation has said crude oil export proceeds plunged by 98 per cent in April, compared to March. The NNPC said in a report that the total revenue from crude oil exports in April fell to N723m from the N35.72bn generated in March. "No remittance to Federation Account in April for May 2021 FAAC due to recorded value shortfall resulting from difference between the landing cost and ex-coastal price of Premium Motor Spirit recorded in March 2021," it said.

The corporation said it lifted 7.62 billion barrels of crude oil in March, compared to 10.79 billion in February, and exported 66.67 million barrels. It said the country maintained its 1.52 million barrels per day production quota as agreed during the previous meeting of the Organization of the Petroleum Exporting Countries. Domestic gas receipts for the month amounted to N5.13bn as oil and gas revenues totalled N156.37bn, a reduction of 30.38 per cent from March revenues. "Feedstock valued at $54.6m was sold to the Nigeria LNG Limited during the period out of which $52.4m was received during the month, the difference being MCA obligations, gas reconciliation and credit notes," the NNPC said.

According to the report, other receipts included $1.25m being miscellaneous receipts, gas and ullage fees and interest income was received in April 2021."

It said, "The sum of N61.97bn was deducted out of the total March value shortfall of N111.97bn. This is to make funds available for Joint Venture cost recovery to sustain the existing production level. The balance of N50bn will be deducted in subsequent months."

"In addition, April value shortfall of N126.29bn is to be deducted from May Federation proceeds in June 2021 FAAC meeting."

- **<u>7,000 Oil Reserves Discovered, Only 1,700 Producing – FG</u>**

The Federal Government on Monday disclosed that out of 7,000 oil reserves that have been discovered in the country, only 1,700 of the reserves are currently producing crude oil. The government disclosed this in Abuja through its Department of Petroleum Resources. It however, stated that measures were being put in place to produce oil from additional reserves in order to achieve the 40 billion barrels oil reserves target of government. According to the department, Nigeria had the capacity to produce about three million barrels of crude daily. Crude oil production in Nigeria had revolved around 1.4 million barrels per day following the production cut recommended by the Organisation of Petroleum Exporting Countries. Before the decision by OPEC and its allies to cut down crude production, Nigeria was producing around two million barrels of oil per day. The Director/Chief Executive Officer, DPR, Auwalu Sarki, stated, "We identified all the discovered reserves. We have about 7,000 and we are producing from about 1,700 out of the 7,000 already discovered reservoirs." He added, "We took each of the producing reservoirs to see what kind of Enhance Oil Recovery that we need to put. So once we now put the EOR, that is secondary and tertiary recovery methods, technically we will grow the reserves. "This is because those reserves are recoverable now and technically we will increase the production of the country." He said that this was a good platform for marginal oil fields to come in to help increase and grow the country's reserves. The chief executive officer said, "Remember we left over 40 million barrels fallow in 11 fields for 17 years. Now we have over 100 million which we want to grow within the next couple of months."