WEEKLY NEWS HIGHLIGHTS: **28th JUNE – 2nd JULY 2 2021.**

- **Dollar off to firm start as focus shifts to jobs data**
- **Blockchain and crypto will play a big role in financial inclusion in Africa**
- **House summons FIRS over $30b revenue leakages**
- **Oil price climbs back to $76, highest in recent time**
- **Stock Market Value Dips below N20trn on Profit-taking**

Weekly Rate Monitor.

GDP.	**=**	**2.53%**
MPR	**=**	**11.5%**
INFLATION=		**17.93%**

GLOBAL ECONOMY:

- **Dollar off to firm start as focus shifts to jobs data:**

The dollar held firm on Monday as investor focus shifted to the U.S. labour market, following softer-than-expected inflation data last week that has done little to soothe concerns about the Federal Reserve dialling down its monetary stimulus.

The dollar's index against six other major currencies rose 0.1% to 91.870 , having recovered from Friday's low of 91.524 hit in the wake of the inflation readings.

The euro fell 0.1% to $1.1923 , as it struggled to recover the $1.20 level, while the dollar hovered at 110.67 yen , not far from Wednesday's 15-month high of 110.105.

The U.S. personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, increased 0.5%, short of expectations for a 0.6% rise.

"Nonetheless the rise in core PCE to 3.4% year-on-year in May was the biggest jump since 1992 and markets remain cautious if the Fed will normalise (policy) earlier," analysts at Maybank in Singapore said in a note on Monday.

Signs of a tight labour market have also kept many investors fretting over wage-driven price pressures. Among a raft of economic indicators this week, Friday's payroll data is a key focus - with economists expecting an increase of 675,000 jobs.

"Depending on the outcome of the payroll's data, the market could start pricing in more chances of a rate hike next year," said Yukio Ishizuki, senior currency strategist at Daiwa Securities.

December 2022 Fed funds rates futures are almost fully pricing in a 0.25 percentage point rate hike by the end of next year and speculators had cut the value of bets against the dollar, or short bets, by the most in six months last week.

The general mood around an ongoing economic recovery is also solid, as Republican Senate negotiators on an infrastructure deal were optimistic about a $1.2 trillion bipartisan bill after President Joe Biden withdrew his threat to veto the measure unless a separate Democratic spending plan also passes Congress.

That has some reckoning on the dollar falling back into a downtrend if the jobs data passes without surprise.

"Now that the dust has settled, the reality is that U.S. rate hikes are still not close enough to trigger a sustained reversal of reflation trades and (a) stronger dollar," MUFG analysts Derek Halpenny and Lee Hardman said in a note.
"The latest non-farm payrolls report will provide insight into how long it will take for the labour market to fully recover," they said. "Absent a significant upside surprise, recent dollar gains should reverse further."
Elsewhere, cryptocurrencies hung on to a bounce from weekend lows, but were tracking towards a second consecutive monthly loss. Bitcoin last traded at $34,281, while ether fetched $1,973, not far from Tuesday's three-month low of $1,700.
Britain's financial regulator said last week that Binance, one of the world's largest cryptocurrency exchanges, cannot conduct any regulated activity and issued a warning to consumers about the platform

- **Blockchain And Crypto Will Play A Big Role In Financial Inclusion In Africa**

Africa has long been a continent of rich promise and potential, but has suffered due to economic underdevelopment and poverty. However, the cryptocurrency revolution which is sweeping across Africa could potentially change this narrative, bringing modern finance to the fingertips of millions of Africans who have not had access to such services so far. It is a sign of how much Africans are moving towards cryptocurrency that monthly crypto transactions, both in and out of the continent, under $10,000 in value, shot up by more than 55% over the last one year, reaching as high as $316 million in value in June 2020.

These numbers are likely to keep rising, and show an interesting trend as well, in that while cryptocurrencies are largely used by companies and financial traders elsewhere in the world, they are being primarily used for commerce in Africa. Individuals and small enterprises in Kenya, Nigeria, Ghana and South Africa are responsible for the majority of this activity. One of the biggest draws of cryptocurrency for Africans is that it cuts out the middleman, and that they are not controlled by central banks, making them theoretically impossible to restrict or manipulate by governments. African nations have been vulnerable to economic crises which have led to the value of their currencies fluctuating wildly, so they are understandably attracted to one which is not so unstable. Additionally, most Africans use mobile banking, much more than traditional banking, which also ties in to their preference for digital currencies and cryptocurrencies.
Another factor that aids this popularity in Africa is the prevalence of online gambling. Africans are quite fond of online gambling and sports betting, and those sectors have been leading the way for crypto adoption on the internet as well. There are several online casinos which offer the opportunity to play crypto blackjack and other popular casino games where users are able to place bets using cryptocurrencies, which makes them very attractive for those who invest in crypto, as well as those looking for safe and anonymous transactions.
According to Reuters, Africa is already on its way to becoming cashless. Telecom operators in the rainbow continent currently manage way more payment transactions than mainstream banks. Africa holds the title of world leader in mobile payments. While the big banks drag their feet, crypto, blockchain and FinTech startups are speeding up financial inclusion via mobile payment services and apps.

Smartphone penetration in Sub-saharan Africa is way higher than landline internet, which is significantly more expensive to install. 75% of web traffic in Africa is generated via smartphones and only 24% via Desktop PCs. In Kenya, internet penetration is 85.2% of the population, followed closely by Libya at 84.2%. Kenya is home to mobile payment service M-Pesa, which provides a mobile wallet and offers secure payment systems. Nigeria has the highest number of internet users in Africa (154.3m). Kenya has 12m more internet users than South Africa. Thus, we can see how crypto can become a powerful tool on the continent. Through cryptocurrency, people without bank accounts can access the global digital economy using only a smartphone and crypto apps. They can then use cryptocurrency to pay for everyday items and services without needing a bank account. Another factor that has aided crypto adoption is that it is much cheaper to send money back to Africa for those living abroad by using cryptocurrencies, as compared to wire transfers and other traditional methods of sending money. Traditional remittances require the sender to pay a fee that could be as high as 20% in some cases, while also having to bear the cost of currency conversion. Cryptocurrency transactions do not have either of these costs, making them virtually free. However, there are risks that come with this usage as well. Crypto prices can be volatile, with the example of Bitcoin in 2017 as a cautionary tale, where prices rose extremely high but then fell quite as fast as well.

Given the current global situation, another area where this innovation can have an immediate impact is in the healthcare sector. Blockchain can be used to build and support better applications, systems and record management protocols, all of which will help to make healthcare services more efficient. Various African countries, such as Nigeria and South Africa, are now working on laws and regulations to help protect investors and other participants in the crypto space, which is a good thing, as the popularity of this space grows and more Africans put their money into it.

DOMESTIC ECONOMY

- **House Summons FIRS Over $30b Revenue Leakages**

The House of Representatives Committees on Finance and Banking and Currency have summoned the Federal Inland Revenue Service (FIRS) to appear before them next Monday as investigation continues into $30 billion annual revenue leakages from 2004 to 2019. The leakages allegedly arose from payments on account of foreign currency denominated contracts by companies in engineering, procurement, construction, installation, marine transportation, and likewise foreign exchange allocation to companies from sources such as the Central Bank of Nigeria, autonomous inter-bank domiciliary and over the counter purchases for the importation, payments of foreign service vendors, dividend repatriation foreign loan/interest payments.

Chairman Finance, James Abiodun Faleke and Chairman Banking& Currency, Victor Nwokolo, were worried that the value of the naira to the dollar was dropping drastically, with dire consequences for the Nigerian people, despite the enormous inflows of capital importation and foreign direct investment over the years, which were expected to translate into revenue generation for the Nigerian government and stabilising the exchange rate.

"Hence, a question we would like to pose to the stakeholders today is, why are the skyrocketing amounts of foreign direct investments and capital importations not being reflected in the economic progress of the country? Therefore, it is for this reason that the House of Representatives through its Joint Committees of Finance, and Banking and Currency launched the investigation. They said the investigation was premised on the documents received from target agencies and companies in banking, oil exploration, engineering, procurement, construction, installation, marine transportation, manufacturing and telecommunications upon which the Committee -noted significant foreign exchange and revenue shortfall infractions against the Federal Republic of Nigeria by these stakeholders.

- **Oil Price Climbs Back To $76, Highest In Recent Time**

THE price of crude oil yesterday rose to $76.62 from $74.17 to per barrel in the global market following limited inventories in the United States and Iran sanctions.

Investigation by Vanguard showed that the price of some light crudes, including Nigeria's Bonny Light surged toward $77 per barrel in the London market, yesterday.

It also showed that the price of Brent rose from $74.70 to $76.54 per barrel, while the price of West Texas Intermediate (WTI) and Organisation of Petroleum Exporting Countries, OPEC, basket of 15 crudes stood at $69.32 and $74.75 per barrel respectively.

Consequently, Nigeria's excess oil revenue has surged significantly as the government had pegged its 2018 budget at $51 and 2.3 million barrels per daily

Market watchers expect price to leap further as OPEC has already predicted possible rise in global oil demand, expected to drive developments in the market. In its latest August, 2018 report, obtained by Vanguard, OPEC indicated that, “In 2018, oil demand growth is anticipated to increase by 1.64 mb/d, 20 tb/d lower than last month’s projections, mainly due to weaker-than-expected oil demand data from Latin America and the Middle East in second quarter, 2018, (2Q’18).

“Total oil demand is anticipated to reach 98.83 mb/d. For 2019, world oil demand is forecast to grow by 1.43 mb/d, also some 20 tb/d lower than last month’s assessment. Total world consumption is anticipated to reach 100.26 mb/d. The Organisation for Economic Co-operation and Development, OECD, region will contribute positively to oil demand growth, rising by 0.27 mb/d YoY , yet with growth of 1.16 mb/d, non- OECD nations will account for the majority of growth expected.”

- **<u>Stock Market Value Dips below N20trn on Profit-taking</u>**

The value of the Nigerian equities declined below the N20 trillion mark last week to N19.627 trillion, following sustained profit taking in bellwether counters.

The market, which had declined by 1.30 per cent the previous week, posted another depreciation last week with the Nigerian Exchange (NGX) Limited All-Share Index falling by 2.56 per cent to close at 37,658.26, while market capitalization shed N516 billion to close at N19.627 trillion.

The bears dictated proceedings in the local bourse in four of the five days while sell-offs in Airtel Africa Plc, Dangote Cement Plc, BUA Cement Plc and MTN Nigeria Plc pushed the market capitalization below N20 trillion forthefirsttime this year.

However, it is expected that the market would rebound this week as moderation in prices of bellwether stocks provides an opportunity to enter the market.

“We believe a “choppy theme” will be the overarching theme in the local bourse as investors continue to watch out for clues on the direction of yields in the fixed income (FI) market. Following the moderation in the share prices of bellwether stocks, we expect the bulls to make a re-entry in dividend-paying stocks ahead of first half (H1)-2021 dividend declarations, which intermittent profit-taking activities would match.

“However, we reiterate the need for positioning in only fundamentally sound stocks as the macroeconomic environment’s fragility remains a significant headwind for corporate earnings,” analysts at Cordros Securities said.

Also commenting, analysts at Invest Data Consulting stated that technically, the NGX index action has formed a double zigzag and bottom that support an uptrend, but requires volume and a clear candlestick formation to confirm direction. “Market recovery at this point may be powerful depending on the state of the expected numbers with possibility of maintaining what we saw in 2020 and the last Q1 corporate earnings. Should that happen, prices will respond to these earnings in the short or long run and as such improve your investment results and boost confidence,” they said.

Meanwhile, investors traded a total of 1.006 billion shares worth N10.330 billion in 17,165 deals compared with 981.147 million shares valued at N10.384 billion that exchanged hands in 15,001 deals the previous week.

The Financial Services Industry led the activity chart with 646.404 million shares valued at N5.199 billion traded in 8,996 deals, thus contributing 64.2 per cent and 50.3 per cent to the total equity turnover volume and value respectively. The Consumer Goods Industry followed with 108.587 million shares worth N2.257 billion in 3,213 deals, just as Conglomerates Industry occupied the third position with 80.257 million shares worth N179.134 million in 614 deals. Trading in the top three equities namely Zenith Bank Plc, Transcorp Hotels Plc and Access Bank Plc accounted for 207.341 million shares worth N2.510 billion in 2,774 deals.

A total of 33 equities appreciated in price last week lower than 38 in the previous week, while 37 depreciated in price higher than 25 equities in the previous week. Veritas Kapital Assurance Plc and Linkage Assurance Plc led the price gainers with 18.1 per cent apiece, trailed by Vitafoam Nigeria Plc with 17.7 per cent. Honeywell Flour Mills Plc chalked up 10.7 per cent. Conversely, Consolidated Hallmark Insurance Plc led the price losers with 13.4 per cent, followed by Royal Exchange Plc with 12.5 per cent. Airtel Africa Plc went down by 10 per cent, while Juli Plc shed 9.5 per cent.