WEEKLY NEWS HIGHLIGHTS: **5TH JULY – 9TH JULY 2021.**

- **China Tech Crackdown Wipes Out Billions From Didi, Other U.S.-Listed Firms**
- **OPEC+ Stumbles, But An Eventual Compromise May Be Bearish For Crude**
- **Global Corporate Tax Overhaul Faces Rocky Road To Completion**
- **MTN To Boost Stock Market Liquidity By N375bn**
- **Investors Gain N4.17bn As Stock Market Rises Further**
- **Inflation, Devaluation Eroding N30,000 Minimum Wage, TUC, Others Lament**
- **Naira weakens at official market as forex liquidity improves by 55%**
- **FGN Begins July Savings Bond Auction**

WEEKLY RATE MONITOR

MPR: **11.5**

GDP: **2.9%**

INFLATION : **11.7%**

GLOBAL ECONOMY:

- **China Tech Crackdown Wipes Out Billions From Didi, Other U.S.-Listed Firms**

Didi Global Inc (DIDI.N) shares slumped as much as 25% in U.S. pre-market trade on Tuesday, ahead of its first session since Chinese regulators ordered the company's app be taken down days after its $4.4 billion listing on the New York Stock Exchange.

The ride-hailing giant's app was ordered to be removed from mobile app stores in China on Sunday by the Cyberspace Administration of China (CAC) which followed an official investigation into the company's handling of customer data.

Other U.S.-listed Chinese companies including Full Truck Alliance (YMM.N) and Kanzhun Ltd (BZ.O) were also set to open lower on Tuesday after the CAC on Monday announced cyber security investigations into their affiliated companies. The U.S. market was closed on Monday for the July 4 holiday.

In pre-market trade on Tuesday, Didi shares fell as much as 25% to $11.59, well below its debut price of $16.65 on June 30. At that pre-market level, Didi is set to shed nearly $19 billion in market capitalization. By 1038 GMT, the stock was down 20%. "In terms of fundamental impact that (share price fall) is a bit harsh, in our view," said Sumeet Singh, Aequitas Research director who publishes on Smartkarma, told Reuters. "But with some news sources saying that Didi knew months in advance that a crackdown was coming, some people will start to have their doubts on governance of the company as well."

The Wall Street Journal reported on Tuesday, citing sources, that the company was warned by regulators to delay the initial public offering (IPO) and examine its network security. Didi said on Monday the app's ban would have an adverse impact on its revenue in China despite it remaining available for existing users. It also told Reuters it had no knowledge of the investigation prior to the IPO. Didi shares were sold at $14 each in the IPO which was the largest listing of a Chinese company in the United States since Alibaba raised $25 billion in 2014. The company had been valued at up to $75 billion as of Friday.

CAC said it had ordered app stores to stop offering Didi's app after finding that the company had illegally collected users' personal data. A sharp sell-off in Didi shares would further dent confidence of its investors, who were shocked by the announcement of a probe into the ride-hailing firm just two days after its New York stock market debut.

- **OPEC+ Stumbles, But An Eventual Compromise May Be Bearish For Crude:**

The OPEC+ group of oil exporters is struggling to reach a compromise over just how much more crude to supply to the market, but assuming a deal is eventually cut, it's likely to be bearish for prices. The group had agreed last week to boost its production by a total of 2 million barrels per day (bpd) from August to December. But that accord wasn't ratified after the United Arab Emirates (**UAE**) wanted changes that would allow it to increase its output by a larger amount. OPEC+, which groups the Organization of the **Petroleum** Exporting Countries (**OPEC)** and allies including Russia, has largely been viewed by the market as successful in first stabilizing **oil prices** in the wake of the hit to fuel demand from the coronavirus pandemic, and then boosting them to the highest in almost three years. Disagreements between members of the group have been rare, but not unprecedented. A clash between leading members Saudi Arabia and Russia led to a brief price war in April 2020 that at one point helped drive global benchmark Brent futures to the lowest in two decades. The current dispute centers on the UAE seeking to change the baseline upon which its output quota is decided, from the original 3.168 million bpd in the 2020 agreement to 3.84 million bpd. In effect, this would allow the UAE to increase its own output by an additional 672,000 bpd over and above its share of the planned 2 million bpd by December for OPEC+ as a whole.

OPEC+ will resume talks on Monday. If history is any guide, it's likely some sort of compromise will be hammered out between the various parties. What shape that compromise may take is still to be determined, but it's almost certain it will involve more barrels being added than the planned 400,000 bpd per month from August to December.

- **Global corporate tax overhaul faces rocky road to completion**

A long road strewn with potential political pitfalls lies ahead for countries seeking to end a race to the bottom on international corporate tax, even though 130 of them have agreed to overhaul the way multinationals are taxed.
Nearly all 139 countries involved in talks at the Paris-based Organization for Economic Cooperation and Development (OECD) last week backed plans for new rules on where companies' profits are taxed, and a rate of at least 15%. With ink barely dry on the agreement,

NSE -0.33 % politicians in higher-tax countries declared that what French Finance Minister Bruno Le Maire termed the "most important international tax deal in a century" had ended tax competition among governments. G20 finance ministers are expected to endorse the deal at meetings on Friday and Saturday in Venice, adding momentum to a global initiative that in June prompted G7 ministers to back a clampdown on tax havens including the British Virgin Islands.
The new rules emerging from the OECD pact are tentatively scheduled to take effect in 2023, but for that to happen, countries must hammer out remaining details by October so tax codes can be revised next year - and some signatories, including the British Virgin Islands. The new rules emerging from the OECD pact are tentatively scheduled to take effect in 2023, but for that to happen, countries must hammer out remaining details by October so tax codes can be revised next year - and some signatories, including India and Switzerland, have since expressed reservations.
That suggests a 2023 implementation could be optimistic, given that many countries took years to ratify an earlier less far-reaching amendment to international tax treaties.

In the European Union, the world's biggest trading bloc in terms of consumer wealth, the best vehicle for enforcing the rules would be an EU law. That could come during France's six-month presidency stint in the first half of 2022. However, like all tax decisions in the EU, that would require unanimous backing from member states, and none of low-tax Estonia, Hungary and Ireland supported the OECD agreement.

DOMESTIC ECONOMY.

- **MTN to boost stock market liquidity by N375bn:**

The move by the MTN Group to offer 14 per cent of its 78.8 per cent sshares in MTN Nigeria to Nigerians will boost its stock market liquidity by N375bn, analysis of data has shown. The company recently said through its Group President and Chief Executive Officer, Ralph Mupita, that the group planned to sell14 per cent of MTN Nigeria to Nigerian investors. Mupita had said, "MTN Nigeria, in which MTN Group has a 78.8 per cent stake, sought to have the largest retail shareholder base on the Nigerian Stock Exchange, where it has a market capitalisation of N3.4tn ($8.2bn)."

Also, speaking on CNBC AFRICA, CEO, MTN Nigeria, Karl Toriola, said, "In the short-medium term, MTN Group would like to sell about 14 per cent of its stake in MTN Nigeria, with the focus primarily on retail investors. It wasn't until 2019 that MTN was forced to join the Nigerian Stock Exchange after it began to have run-ins with the Nigerian government.

Since then, only limited shares of the company had been traded on the local bourse. Stockbroker and economy analyst, Rotimi Fakayejo, said the move will help boost the number of MTN's share in the market. Former President of the Association of Telecommunications Companies of Nigeria, Olusola Teniola, said the new move would put the shares of the company in the hands of many more people. President, Association of Licensed Telecom Operators of Nigeria, Gbenga Adebayo, said, "It's a business decision that they made and we hope this would be to the benefit of willing Nigerian's investors and in further support of our economy." The National Coordinator, Progressive Shareholders Association of Nigeria, Boniface Okezie, said the move would ensure that the interest of Nigerians was served by the company.

- **Investors Gain N4.17bn As Stock Market Rises Further**

The Nigerian stock market saw a marginal increase of N4.17bn in its market capitalization at the end of trading on Monday. The All-Share Index of the Nigerian Exchange Limited rose by 0.12 per cent to 38,220.01 basis points while the market capitalization increased slightly to N19.92tn.The volume of shares traded rose significantly by 35.01 per cent as 282.62 million shares valued at 1.87bn were traded in 4,788 deals, compared to 209.19 million shares valued at 2.01bn in 3,240 deals the previous trading day.
The banking industry grew by 0.60 per cent as Fidelity Bank Plc ended up being the most traded stock by volume at 28.09 million units, while Zenith Bank Plc was the most traded stock by value at N330.43m.
The insurance sector and the oil and gas sector also saw positive growth at 1.5 per cent and 0.5 per cent respectively. The consumer goods industry experienced the worst loss by sector at -0.4 per cent as Dangote Sugar Refinery Plc, Honeywell Flour Mills Plc and Flour Mills Nigeria Plc declined at the end of trading on the floor of the NGX.

Twenty-seven companies grew their share prices while 16 companies dropped in value as trading ended. Cutix Plc led the gainers' chart with a 10.00 per cent increase in its share price to close the day at N3.30 per share. It was followed by NCR Nigeria Plc, whose share price rose by 9.69 per cent to close N2.49.
Other top gainers were Regency Alliance Insurance Company Plc, UAC Property Development Company Plc and Coronation Insurance Plc. Red Star Express Plc, which led the losers' list, saw a drop of 9.81 in its share

price to close at N3.31. Associated Bus Company Plc was second as it lost 8.11 per cent to end the day at N0.34 per share. The other top five losers were NPF Microfinance Bank Plc, Presco Plc and Chams Plc.
The Exchange Traded Fund and bond markets saw no gainers or losers during the period.\

- **Inflation, Devaluation Eroding N30,000 Minimum Wage, TUC, Others Lament:**

Stakeholders, including the Trade Union Congress of Nigeria, the Nigeria Labour Congress, have expressed concerns over the continued refusal of some states to pay the N30,000 minimum wage amid the rising cost of living in the country. The President, Major General Muhammadu Buhari (retd.), had in April 2019 signed into law a bill that increased the monthly minimum wage from N18,000 to N30,000.
Top officials of the TUC and NLC, who spoke with our correspondent in separate interviews, who lamented the current economic situation in the country, noted that some states had yet to start paying the minimum wage. They stressed the need for the government to ameliorate the hardships faced by workers and called for additional palliative measures to cushion the effects of the COVID-19 pandemic and last year's economic recession. The National Bureau of Statistics had said last month that the inflation rate stood at 17.93 per cent in May, compared to 18.12 per cent in April.
Last month, the Central Bank of Nigeria devalued the naira as it adopted the NAFEX exchange rate of N410.25 per dollar as its official exchange rate, days after removing the N379/$1 rate from its website.
The Chairman, TUC, Lagos State Chapter, Mr Olugbenga Ekundayo, said, "The minimum wage we agreed on in 2019 is not even a full solution to the situation. It was after that settlement that the pandemic came up. Since the lockdown, people have lost jobs, and a lot of things have happened.

- **Naira Weakens At Official Market As Forex Liquidity Improves By 55%:**

The exchange rate between the naira the US dollar closed at N411.45/$1 at the Investors and Exporters window, where forex is traded officially.
Naira depreciated against the US dollar on Tuesday, having lost 32 kobo to close at N411.45/$1 compared to N411.13/$1 recorded on Monday, 5th July, 2021.
The local currency weakened against the dollar at the official market while forex liquidity improved by 54.7%
Meanwhile, the naira was stable at the parallel market, as it closed at N503 to a dollar. This was the same rate that was recorded in the previous trading session. Also, Nigeria's external reserve continues to plunge, as it heads to its lowest position in four years and a year-to-date decline of over $2 billion. Naira depreciated against the US dollar at the Investors and Exporters window at Tuesday's trading session to close at N411.45/$1 as against the N411.13/$1 recorded at the end of trade on Monday, 5th July 2021. This represents a 32 kobo drop. The opening indicative rate remained stable to close at N411.50 to a dollar on Tuesday, 6th July 2021, the same rate that was recorded on the previous trading day. An exchange rate of N420.86 to a dollar was the highest rate recorded during intra-day trading before it settled at N411.45/$1, while it sold for as low as N387.67/$1 during intra-day trading. Meanwhile, forex turnover at the Investors and Exporters (I&E) window rose by 54.7% on Tuesday, 6th July 2021.

- **FG Begins July Savings Bond Auction:**

The Federal Government has commenced the auction of its savings bond for July this year.
A savings bond is targeted at low-income earners to encourage them to save and earn more income (interest) when compared with their savings account with banks.
Savings bonds are tax-free with competitive fixed interest rates to be paid every quarter, and are tradable on the Nigerian Stock Exchange. They can be used as collateral for loans.

The FGN Savings Bond auction, according to the Debt Management Office, commenced on July 1 and will close on July 5.
The DMO said the two-year FGN Savings Bond was offered at 11.195 per cent per annum and would be due on July 10, 2021, while the three-year FGN Savings Bond was offered at 12.195 per cent per annum and would be due on July 10, 2022.
It said the bonds were offered at N1,000 per unit, subject to a minimum subscription of N5,000 and in multiples of N1,000 thereafter, subject to a maximum subscription of N50m.
The debt office said, “The bond qualifies as securities in which trustees can invest under the Trustee Investment Act. It also qualifies as government securities within the meaning of Company Income Tax Act and Personal Income Tax Act for tax exemption and pension funds, among other investors.
“Interested investors are advised to contact the stockbroking firms appointed as distribution agents by the DMO.”
Last week, the bond market performance remained bullish as renewed buying interest was witnessed across the curve following the bond auction (1.7x oversubscribed), which held on Wednesday.
Consequently, average yield declined by 49 basis points week-on-week from 13.8 per cent the prior week to 13.2 per cent, with the 2020s and 2021s maturities enjoying the most buying interests.
At the bond auction, the DMO offered a total of N100bn across the five-year, 10-year and 30-year maturities, and significant demand was witnessed across all tenors as the offer was 1.7x oversubscribed.
Furthermore, the long-term offer enjoyed the most buying interest with a bid-to-cover ratio of 2.0x (N60.49bn subscribed vs. N30bn offered).
Analysts at Afrinvest Securities Limited said they expected persistent buying interests within the bonds secondary market as investors seek to place their lost auction bids, further pressuring yields downwards.