WEEKLY NEWS HIGHLIGHTS: **11th –15th October , 2021.**

- **China exports up 28% in September; surplus with US at $42 billion**
- **Asian shares rise on lower oil prices and possible Xi-Biden meet**
- **Musk-backed token turns Rs 1,000 into Rs 34 lakh in just two months**
- **Why Nigeria shunned debt service payment suspension – World Bank**
- **Stock market reverses gains, investors lose N80bn**
- **More taxes, levies in budget will choke businesses – MAN, LCCI**

WEEKLY RATE MONITOR

MPR: **11.5%**

GDP: **5%**

INFLATION: **16%**

NIBOR: **15.85 %**

GLOBAL ECONOMY:

- **China exports up 28% in September; surplus with US at $42 billion**

China's import and export growth slowed in September amid shipping bottlenecks and other disruptions combined with coronavirus outbreaks, according to customs data reported Wednesday. The report showed exports rose 28.1% to $305.7 billion. That was slightly slower than the 33% increase logged in August, but faster than economists had forecast. Imports rose 17.6% to $240 billion, less than the previous month's 26% but a bit more than expected.

Disruptions in industrial supply chains have persisted after last year's global economic downturn. Rising infections in the United States and some other markets also dampened consumer sentiment. This year's trade figures have been distorted by comparison with 2020, when global demand plunged in the first half after governments shut factories and shops to fight the pandemic. Chinese exporters reopened after the ruling Communist Party declared the virus under control in March 2020, while its foreign competitors still were hampered by anti-virus curbs. Economists have forecast that surging global demand for Chinese goods will level off as anti-disease controls ease and entertainment, travel and other service industries reopen.

Overall growth in two-way trade rose 15% in July-September, slowing from 25% year-on-year growth in the previous quarter.

The politically sensitive **trade surplus** with the U.S. rose to $42 billion in September from nearly $38 billion in August, the report said.

More than three years after former U.S. President Donald Trump launched a tariff war against Beijing, his successor Joe Biden's administration has not said if it will agree to Chinese demands to roll back some of those punitive duties. Biden's top trade official, Katherine Tai, said last week that she planned frank talks with Beijing about complaints over policies that foreign businesses say give their Chinese competitors an unfair advantage.

- **Asian shares rise on lower oil prices and possible Xi-Biden meet:**

  Asian shares rallied on Thursday, supported by a possible easing in U.S.-China tensions, and weaker energy prices, as oil edged down from multi-year highs. U.S. and European futures also bounced with S&P 500 futures rising 0.52%, and pan-region Euro Stoxx 50 futures gaining 1.23% in early trade a day after the Euro STOXX 600 (.STOXX) index dropped 1.03%

  MSCI's broadest index of Asia-Pacific shares outside Japan (.MIAPJ0000PUS) rose 1.45%, which if it holds, would be the benchmark's best daily performance since August. Hong Kong (.HSI) led Asia's gains. The index rose 2.41%, bouncing from its lowest close in 12 months, and was headed towards its best day since August, though analysts remained cautious. Elsewhere, South Korea's Kospi (.KS11) gained 1.6%, Australian shares (.AXJO) rose 0.51%, and Japan's Nikkei (.N225) firmed 0.72%, snapping eight days of losses.

  However, there were still reasons for caution around the region, especially with China on holiday, seemingly contributing to a delay in progress towards any resolution for beleaguered developer China Evergrande (3333.HK).

- **Musk-backed token turns Rs 1,000 into Rs 34 lakh in just two months**

  As the euphoria over memecoins and Elon Musk's new pet, Floki, erupted on social media, the meme tokens were back in the buzz again. A new crypto token based on Musk's new pet, named Floki Inu, became the 'pet' of global memetoken lovers, as it rallied about 1,500 per cent in just three months since inception. Interestingly, the digital token has skyrocketed a whopping 3,40,150 per cent in just two months to $0.00006805 on October 8 from $0.00000002 on August 8. In rupee terms that means it turned an investment of Rs 1,000 into Rs 34 lakh in just two months. The market-cap of Floki Inu was about $700 million (Rs 5,250 crore) as of Sunday, which is more than the listed players like Sequent Scientific, Strides Pharma, Inox Leisure, Cochin Shipyard, Sudarshan Chemicals, MTAR Technologies and others. According to a website, theflokiinu.com, this crypto coin birthed by fans and members of the Shiba Inu community and is inspired by Doge father Elon Musk’s Shiba Inu. Floki Inu is also the only crypto project officially partnered with Elons brother Kimbal Musk's 'Million Gardens Movement' for working to give power back to the community to choose, grow, prepare and eat healthy food.

  Last week, Floki Inu raised $1.4 million in just 35 minutes in a donation drive for this movement. On September 18, 2021, Floki Inu released its 10,000 Flokitars to the public. Floki Inu is also working on three flagship utility projects: an **NFT** gaming metaverse known as Valhalla, an NFT and merchandise marketplace known as FlokiPlaces, and a content/education platform known as Floki University.

  Floki combines utility and the power of a community, aims to be one of the top 10 crypto projects, and plans to kickstart the next crypto revolution.

  Crypto watchers said Floki Inu is in the buzz, as it is more like a clone of Shiba Inu and has picked up thanks to the NFT gaming projects. Sharat Chandra, Blockchain & Emerging Tech Evangelist, said Floki Inu is riding high on the play to earn revolution, which resonates with millions across the globe and this explains the unprecedented price of the coin. "It's going to head north in the days and months to come. Team behind Floki is focussed on developing an ecosystem of use cases powered by NFTs, games, decentralized banking and creating new monetization models," he said. Not only Floki Inu, every related meme token has become multibagger in the last one week, with Catecoin, Husky and SafeMoon Inu gaining 550-650 per cent. MemeCoin, Shiba Inu, Hokkaidu Inu, Shiba Pup, Kishu Inu, Shih Tzu and Akita Inu have soared 125-205 per cent.

"Over the past six months, the way this meme coin is being viewed has drastically changed as they have become more mainstream," said Darshan Bathija, Co-Founder and CEO, Vauld.

"If a coin is dependent on a strong external force to influence price movements, it poses a larger concern and investment risk," he said. "**Meme coins** have played a huge role in philanthropy." Investors should accept that cryptocurrency and volatility go hand in hand. Analyzing memecoins' use-case or reason for existence indicates that allocation should be limited. "Additionally, every investor should do their due research on the coin's fundamentals before buying," Bathija said.

DOMESTIC ECONOMY:

- **Why Nigeria shunned debt service payment suspension – World Bank:**

The World Bank has said Nigeria and some other countries refused to participate in a temporary suspension of debt-service payments due to concerns about future access to debt and credit-rating downgrades. The bank disclosed this in the new International Debt Statistics 2022 report, which was published on Monday. It said Nigeria had a 16 per cent increase in the non-guaranteed debt of the private sector in 2020.

"In sub-Saharan Africa, both Ghana and Nigeria recorded a 17 per cent increase in external debt stocks driven by purchases from the IMF of $1bn and $3.4bn, respectively, plus in Ghana, the $3bn pre-pandemic Eurobond issue, and for Nigeria, a 16 per cent rise in the non-guaranteed debt of the private sector," the report said.

It said at the end of 2020, the 10 largest borrowers eligible for Debt Service Suspension Initiative, including Nigeria, accounted for $509bn external debt stock and 65 per cent of the end-2020 private non-guaranteed external debt. It said, "There was wide divergence in the rate at which external debt accumulated in individual DSSI-eligible countries, including the group's largest borrowers. The combined external debt stock of the 10 largest DSSI-eligible borrowers (Angola, Bangladesh, Ethiopia, Ghana, Kenya, Mongolia, Nigeria, Pakistan, Uzbekistan, and Zambia) was $509bn at end-2020, 12 per cent higher than the comparable figure at end-2019 and equivalent to 59 per cent of the external debt obligations of all DSSI-eligible countries combined. "They also accounted for 65per cent of the end-2020 private non-guaranteed external debt of DSSI-eligible countries." According to the report, the DSSI offered 73 IDA-eligible and least developed countries a temporary suspension of debt-service payments owed to official bilateral creditors.

"As of September 2021, 48 countries were participating in the DSSI. Other eligible countries chose not to participate for various reasons. Countries with market access, like Ghana and Nigeria, had concerns about future access and credit-rating downgrades," it added.

- **Stock Market Reverses Gains, Investors Lose N80bn:**

Investors in the Nigerian Exchange Limited recorded a loss of N80.44bn on Monday as equities reversed a nine-day consecutive upswing.

The NGX All-Share index dropped by 0.38 per cent from 40,868.36 basis points on Friday to 40,714bps on Monday while the market capitalisation of stocks declined to N21.22tn from N21.30tn.

Investor activity by trading volume plummeted by 42.28 per cent to 91.31 million shares valued at N2.58bn in 4,395 deals, compared to 331.06 million shares worth N2.92bn in 3,986 deals on Friday.

Analysing by sectors, the NGX Industrial and Consumer Goods indices declined by 0.58 per cent and 1.00 per cent respectively while the NGX Banking and Insurance indices rose by 0.75 per cent and 0.95 per cent respectively. The NGX Oil and Gas index stood flat.

Market sentiment as measured by market breadth was positive as 18 tickers appreciated as against 17 losers.

NEM Insurance Plc led the gainers' chart with a 9.95 per cent appreciation in its share price to close at N2.10 per share. Champion Breweries Plc followed closely with a 9.52 per cent rise to N2.30 per share. Atop the losers' chart was Sovereign Trust Insurance Plc with an 8.33 per cent decline, ending the day at N0.22 per share.

Nigerian Breweries Plc dropped by 6.06 per cent as it closed at N46.50 per share. AIICO Insurance Plc, University Press Plc and Universal Insurance Plc lost 5.26 per cent, 5.06 per cent and 4.55 per cent.

- **More taxes, levies in budget will choke businesses – MAN, LCCI:**

The Manufacturers Association of Nigeria and the Lagos Chamber of Commerce and Industry have expressed concern over the plan of the Federal Government to impose more taxes and levies as stated in the revised 2022 budget. The Director-General of MAN, Mr Segun Ajayi-Kadir, said in a statement obtained by our correspondent on Sunday that the proposed excise duty on carbonated drinks would 'further strangulate' the manufacturing sector already burdened with multiple taxes, levies and fees.The Director-Deneral of the LCCI, Dr Chinyere Almona, said in a statement from the chamber that government-owned enterprises which were regulators of their operating environments might be disposed to inhibit the functioning of the sectors they play in from the expectations the government had on them as listed in the budget.

Ajayi-Kadir said, "The proposed excise duty on carbonated drinks means further strangulation of the manufacturing sector that is already burdened with the multiplicity of taxes/levies and fees."The industries operating in this segment are already operating with extremely low margins. So the planned excise duties will push most of them over the edge."We risk an unprecedented build-up of unplanned inventory, downsizing of the labour force and factory closures. All these would vitiate the revenue expectations of governments and therefore counterproductive. Increased drive for collection of taxes and levies, bordering on a multiplicity of taxes and untoward means of collection.

"The current unbridled avalanche of taxes, fees and levies from the three tiers of government and their overzealous regulatory agencies may be compounded. "Most often these worrisome scenarios are contrasted with little attention to supporting infrastructure and facilitation of the productive sector."

Almona, on the other hand, stated, "We have noted in the breakdown of the budget that more revenue is expected from the government-owned enterprises, some of which are regulators of some sectors. Good corporate governance principles and practices should be adopted.

"The push for more revenue should not compel the GOEs to undermine the health of the business environment in the pursuit of revenue targets."

Ajayi-Kadir commended FG for the increased allocations to the security, health, and education sectors admitting an indication that the government was working towards improving the socioeconomic state of the country. He also highlighted some key reforms FG made: increased support for women, benchmarking of GOEs' expenditures and stricter performance monitoring, among others.

The MAN DG noted that the assumption of a 13 per cent inflation rate amid the current rate at 17.01 per cent was highly ambitious.

He urged FG to take deliberate steps to drastically reduce its high recurrent expenditures.