



### WEEKLY NEWS HIGHLIGHTS:

8<sup>th</sup> –12<sup>th</sup> November, 2021.

- **Jpmorgan Turns Bullish On UK Stocks For The First Time Since The Brexit Vote**
- **Stock Futures Are Lower Ahead Of Key Inflation Data**
- **Ethereum Hits New All-Time High, Bitcoin Inches Toward Record As Cryptocurrencies Rally**
- **\$450bn Refinery Investments Coming To Nigeria, Others – OPEC**
- **Sanusi: Tap Into \$2.7tr Islamic Finance To Fund Infrastructure**
- **eNaira: Expanding E-Payment Options For Businesses, Consumers**
- **DMO, Others Advocate Capital Mobilization To Fund Green Projects**

### WEEKLY RATE MONITOR

**MPR: 11.5%**

**GDP: 2.6%**

**INFLATION: 16.63%**

**NIBOR: 8.542 %**

### GLOBAL ECONOMY:

- **Jp Morgan Turns Bullish On Uk Stocks For The First Time Since The Brexit Vote:**

JPMorgan has upgraded U.K. stocks to “overweight,” ending years of caution on British equity markets which the bank said are now trading at a “record discount.” The Wall Street giant had held a longstanding cautious call on U.K. equities since the Brexit referendum in 2016, before moving to “neutral” in July 2020 after a particularly dire spell for U.K. stocks and after the worst of the coronavirus pandemic. With U.K. equities having delivered a more range-bound performance against their transatlantic and European peers over the past 12 months, however, JPMorgan on Monday upped them to overweight in both a European and global context.

Since the Brexit referendum, U.K. equities have lagged the U.S. by a cumulative 50% and the euro zone by 24%, JPMorgan Head of Global and European Equity Strategy Mislav Matejka highlighted in a research note. JPMorgan’s aggregated data showed that the U.K. has opened up a “record discount” versus other regions, both on a price-to-earnings and a price-to-book basis. The former helps determine the market value of a company’s stock relative to its financial results, while the latter is relative to the book value of the company’s equity.

The discount holds even when value sectors — those which generally trade at a discount relative to their financial fundamentals — are taken out. “Within the U.K., we held a longstanding preference for FTSE 250 vs FTSE 100, and for domestic vs. exporters. We now think FTSE 100 could perform better,” Matejka said. Matejka’s team is funding the upgrade by cutting its exposure to Japan, and picked 25 U.K. stocks to best capitalize on the catch-up trade. These include such high-profile names as BP, Barclays, Jupiter Fund Management and Vodafone.

JPMorgan's new overweight position in the U.K. follows a long-held view for European equity analysts at British rival Barclays, who are also overweight the large cap FTSE 100 for its export-heavy composition, but underweight the more domestically-weighted FTSE 250. This diminishing faith in domestic small-cap stocks was echoed on Tuesday by Credit Suisse, which reduced U.K. small caps to underweight while boosting their U.S. peers to overweight.

- **Stock Futures Are Lower Ahead Of Key Inflation Data:**

U.S. equity futures nudged lower early Wednesday as investors await key data that will be the next big indicator of how much rising price pressures are accelerating. Dow Jones Industrial Average futures dipped 70 points. S&P 500 futures fell 11 points and Nasdaq 100 futures were off 57 points. Investors are holding their breath for the latest consumer price index reading, which the Labor Department will report Wednesday before the bell. Economists surveyed by Dow Jones expect a 0.6% increase, or a year-over-year gain of 5.9%, which would be the most in 30 years. They expect core CPI, which excludes food and energy, to have risen 0.4%, or 4.3% year-over-year. With Thursday a government holiday due to the Veterans Day observance, the department also will release its weekly jobless claims count a day earlier than usual. The Dow Jones estimate is for 265,000 first-time filings for unemployment insurance, which would mark a fresh pandemic-era low.

In regular trading Tuesday, the Dow lost about 0.3% to close at 36,319.98. The S&P 500 fell 0.4%, snapping an eight-day win streak, and the Nasdaq Composite fell 0.6%. Tesla shares rose 1.1% in premarket trading, a day after ending nearly 12% lower, which extended Monday's losses. On Tuesday morning, the Labour Department reported a 0.6% increase in the October producer price index, which is in line with the Dow Jones consensus estimate. Wholesale prices jumped 8.6% in October from a year ago, however, the hottest annual pace on record in almost 11 years. Earnings season continues to be strong, with most of the S&P 500 companies who have already reported beating estimates, according to FactSet. Disney, Affirm, Bumble and The Honest Company are all scheduled to report Wednesday after the bell.

- **Ethereum Hits New All-Time High, Bitcoin Inches Toward Record As Cryptocurrencies Rally:**

Cryptocurrencies are starting the week on a positive note. Ether, the world's second-largest digital coin, surged more than 4% in 24 hours Monday to hit a new all-time high above \$4,700. The token was last trading at a price of \$4,740, according to Coin Metrics data. Ether is the cryptocurrency of the Ethereum blockchain. In the crypto market, the terms ether and ethereum are often interchangeable when referring to the currency.

Bitcoin, meanwhile, climbed 7% to a price of \$66,250, inching back toward a record high above \$66,900 set in late October. The reason for the move wasn't clear. Cryptocurrencies are known for their volatile price swings, with moves of up to 20% higher or lower relatively common. Mikkel Mørch, executive director at crypto hedge fund ARK36, said a \$70,000 price for bitcoin now "seems imminent."

"Importantly, the uptick doesn't seem to be leverage-driven but rather results from the increased demand on the spot market where there's currently very little sell-side liquidity," Morch said in an emailed note Monday.

It comes amid growing excitement about DeFi, or **Decentralized Finance**, a new trend in the crypto market which seeks to build financial applications like lending and trading on the blockchain. Ethereum is a key player in DeFi. Some of the biggest DeFi services, including decentralized exchange Uniswap and lending platform Aave, run on the Ethereum network. Still, DeFi has caught the attention of regulators lately, and experts have warned a crackdown is imminent. Ethereum is also the backbone for many Non-fungible tokens, or NFTs, which are like digital receipts that keep a record of ownership for rare items like online art.

They have seen a boom in activity this year, with one token auctioned at Christie's selling for a record \$69 million. Still, ether is up against some fierce competition. Rival tokens like solana and cardano have surged in price this year. Ethereum is undergoing a major upgrade which investors hope will make the network faster and more environmentally friendly.

Bitcoin and other cryptocurrencies have been criticized for their swelling consumption of energy. The latest step in Ethereum network's overhaul arrived late last month, when an upgrade called Altair went live. Meanwhile, bitcoin jumped to a new all-time high of nearly \$67,000 last month, following the listing of the first U.S. bitcoin futures exchange-traded fund. Crypto bulls praised the move as another sign of growing acceptance for digital assets on Wall Street. Alternative digital currencies often rally after significant climbs in bitcoin's price, as investors search for returns elsewhere in the market.

#### **DOMESTIC ECONOMY:**

- **\$450bn refinery investments coming to Nigeria, others – OPEC:**

The Organization of Petroleum Exporting Countries on Tuesday said about \$450bn worth of new refinery projects and expansion of existing units would be invested in Nigeria and other developing nations. It said the investments were part of the estimated \$1.5tn that would be invested in the downstream sector of the oil and gas industry from this year till 2045. The Secretary-General, OPEC, Sanusi Barkindo, disclosed this at the African Energy Week in Cape Town, South Africa. Our correspondent obtained his address in Abuja.

Barkindo said, "In terms of downstream investment, we estimate a total of roughly \$1.5tn will be spent during the period 2021-2045. "\$450bn of this will be invested in new refinery projects and expansions of existing units. Most of these projects will be located in developing countries, including Africa." He added, "Indeed, the importance of creating an investment-enabling environment is a further key conclusion from the World Oil Outlook. Cumulative oil-related investment requirements amount to \$11.8tn in the 2021-2045 period. He observed that creating the stability in the oil market necessary to attract the required levels of investment had been one of the primary motivations behind OPEC's collaborative efforts with 10 non-OPEC countries under the "Declaration of Cooperation" umbrella.

Barkindo, however, told participants at the event that last year's oil demand shock caused by the COVID-19 pandemic resulted in numerous refinery closures worldwide, and that there would be additional closures in the coming years. He further stated that looking ahead, from 2021 to 2026,

OPEC was expecting to see around 6.9 million barrels per day of new refining capacity to come online, mostly in the Middle East, Asia-Pacific and Africa. He said Africa's potential refining capacity was expected to start increasing in 2022 at just below 0.4mb/d, before reaching just above 1mb/d in 2026. Barkindo stated that many of these projects would involve petrochemical integration.

- **Sanusi: Tap Into \$2.7tr Islamic Finance To Fund Infrastructure:**

Former Central Bank Governor, Muhammadu Sanusi, has called on the Federal Government to tap into the over US\$2.7 trillion Islamic Finance market by leveraging cheap available funds to finance infrastructure. Sanusi made this call in Abuja yesterday at the fifth African International Conference on Islamic Finance with the theme: "Infrastructure financing, sustainability, and the future of African markets 2.0." Also, former minister of finance and Vice President, Country Operations, Islamic Development Bank (IsDB), Dr Mansur Muhtar, said the IsDB will soon release \$150 million for the development of Special Agro-Processing Zones in Nigeria.

Sanusi said: "Despite the potential for growth of the Islamic financial services industry in Africa, promoters need to be encouraged to establish more Islamic financial institutions, so as to create the needed critical mass that is essential for the growth of the industry in the Continent, and these institutions need to come together and support each other for advocacy and growth of the industry."

He urged the CBN to continue with its initiative of developing non-interest liquidity management instruments, especially short-term papers for non-interest banks, adding that without these, the possibility of creating a non-interest inter-bank market is slim, could affect negatively the institutions. Sanusi praised the Federal Government for accessing the sovereign Sukuk bonds which he said, has positively impacted "the infrastructure landscape across the country".

According to him, "Islamic finance offers tremendous potential for both public and private financing in such a way that it reinforces the links between finance and the real economy, thereby contributing to both economic growth and financial stability."

The Senior Special Adviser to the AfDB President on Industrialization, Prof Banji Oyeyinka, said the AfDB has committed \$160 million; the Africa Growing Together Fund \$50 million; the IsDB, \$150 million, while the International Fund for Agricultural Development has committed \$160 million for the development of the special agricultural processing zones project. The Minister of Finance, Budget and national Planning, Mrs. Zainab S. Ahmed, said to mitigate the risks of development setbacks, the Federal Government has explored financing options that offer long-term viable source of finance for its infrastructure projects, one of which is Islamic finance.

The Minister also noted: "One of the impediments to the development of Islamic finance is the notion that Islamic finance is just for Muslims. To addressing this misconception, she advocated "the establishment of comprehensive operational frameworks for Islamic financial products and services and increased awareness of these financing options to the real sector".

- **eNaira: Expanding E-Payment Options For Businesses, Consumers:**

Digital payment users anxious to see the Central Bank of Nigeria Digital Currency, codenamed, eNaira, take off were excited at its launch in Abuja last week. Like other Central Bank Digital Currencies (CBDCs), the eNaira was created to serve as a medium of exchange and store of value for consumers and

businesses. Its addition into the e-payment space is expected expand Nigeria's payment options, boost financial inclusion, reduce the cost of processing cash and enable transparent welfare payments to eligible citizens. COLLINS NWEZE writes on the eNaira, its impact of e-payment system and wealth creation for the people.

Moshood Abdulrasheed, a civil servant based in Lagos, was preparing for his yearly leave when he got a WhatsApp message reminding him to pay his monthly DSTV subscriptions.

He had two options. First was to pay through mobile banking app, which he was used to. The alternative was to download and pay through the newly-launched eNaira speed wallet that is fast gaining attention in the e-payment industry. Abdulrasheed went for the eNaira speed wallet option and the transaction was carried out successfully.

The eNaira speed wallet applications recorded over 100,000 downloads from the Google Play Store in 24 hours after the digital currency was inaugurated. Aside from the Google Play Store, the wallet can also be downloaded from the Apple Store. The Central Bank of Nigeria (CBN) last Monday raised the innovation bar with the launch of the Central Bank Digital Currency (CBDC), known as the eNaira.

Like other CBDCs, the eNaira is essentially the digital equivalent of the physical naira stored in an electronic wallet. Similar to paper naira bills, the eNaira is issued and backed by the CBN with full legal tender status and is non-interest yielding. The CBDCs, in broad terms, are digital innovations that will fundamentally revolutionize the financial sector. The adoption of CBDCs have benefits and implications for monetary authorities, commercial banks and the ultimate end-users.

The development and implementation of safe, reliable and efficient payment systems is one of the crucial roles played by the CBN given that safe, reliable and efficient payment systems help reduce poverty, boost shared prosperity, expand financial inclusion, foster development and support financial system stability. The eNaira was unveiled by President Muhammadu Buhari at an event attended by top government functionaries at the State House, Abuja. Buhari projected that the eNaira and its underlying blockchain technology could increase the nation's Gross Domestic Product by \$29 billion over the next decade. He said the e-currency would help increase remittances, foster cross-border trade, improve financial inclusion, make monetary policy more effective, and enable the government to send direct payments to citizens eligible for specific welfare programs.

According to him, the eNaira will help move many more people and businesses from the informal into the formal sector, thereby increasing the country's tax base. Buhari lauded the CBN for the creation of the eNaira.

The president said CBN's reputation as a leading innovator, "in the form of money they produce, and in the payment services they deploy for efficient transactions," inspired him to approve eNaira. He noted that Nigeria's apex bank had invested heavily in creating a payment system that was ranked in the top 10 in the world and, certainly, the best in Africa. Buhari explained: "This payment system now provides high-value and time-critical payment services to financial institutions, and, ultimately, serves as the backbone for every electronic payment in Nigeria." For the CBN Governor, Godwin Emefiele, the eNaira presents great opportunity for Nigeria's businesses and economy to leapfrog to greater heights. He announced the theme of the eNaira as: "Same Naira, more possibilities" even as the CBN had appointment of Bitt Inc as technical partner in driving the scheme.

Emefiele listed the benefits of the eNaira to include increased cross-border trade, accelerated financial inclusion, cheaper and faster remittance inflows, easier targeted social interventions, as well as improvements in monetary policy effectiveness, payment systems efficiency, and tax collection. He said

the issue of security was taken very seriously in creating the eNaira system, which will be treated as a National Critical Infrastructure and subjected to comprehensive security checks. Bitt Inc. is a leader in the Central Bank Digital Currency industry, with subject matter experts at the intersection of technology and policy.

The company deployed its flagship product in regulated, collaborative, multi-stakeholder environments, including a live CBDC in four Caribbean countries, and digital currency deployments in Barbados and Latin America. Bitt's Chief Executive Officer, Brian Popelka, said: "Central Bank Digital Currencies are truly transforming the way that financial transactions are conducted around the world. This change brings significant benefits especially to emerging economies."

- **DMO, Others Advocate Capital Mobilization To Fund Green Projects:**

The Debt Management Office (DMO) has stressed the need for issuers and investors to key into funds mobilization geared towards promoting green financing and sustainability drive in Nigeria.

Director-General of DMO, Patience Oniha, while speaking at FMDQ Green Exchange Launch and partnership deal with the Luxembourg Green Exchange (LGX) in Lagos on Monday, stated that the current trend suggests that there will be an increase in the demand for funds to support such projects and finance infrastructure. She said: "As there is more awareness and more pressure on the government to look at those projects, it means we have to raise funds in our own case. Revenues will be there but we may also need to borrow to finance those projects and this means that we will be issuing securities that comply with those requirements.

"It means that our initial activity, the domestic green bond market, should increase. While we have a total of N25.69 billion outstanding, we still plan to be in the market, sometime, next year. "Going forward, the FG would be an active issuer in the FMDQ green exchange and what we need to do is to do a lot of sensitization to make those projects approved and the funding arrangement", Oniha said. In his keynote address at the event, Governor, Lagos state, Babajide Sanwo-Olu, noted that the launch of the green exchange is a step in the right direction for mainstreaming finance and development in Africa.

Sanwo-Olu who was represented by the Special Adviser on Sustainable Development Goals (SDGs) and Investments in Lagos state, Solape Hammond, said the LGX, which was the first green exchange, has since become the world's leading platform for sustainable securities issuing about 50 per cent of green securities in the total of 32 currencies. "As of August 2020, the LGX displayed 796 green, social and sustainable securities totaling \$356 billion and as the first exchange to be launched in Africa, we see the potential impact that the FMDQ green exchange can also have in solving our most pressing problems." He stated that public funding alone will not suffice and added that private capital needs to be mobilized to reach the objectives defined in the Paris climate agreement and the UNSDGs.

Chief Executive Officer, FMDQ Group, Bola Onadele said the group recognises the opportunities its business presents in its ability to promote sustainable economic growth and development and as such understands that the delivery of long term business success, value creation and prosperity is not only hinged on financial but also the environment and social performance.