SAMTL | ECONOMIC & FINANCIAL OUTLOOK Q4:2019

GLOBAL ECONOMY: AT A TIPPING POINT?

SORT

SAMTL OPTIMAL RETIREMENT TRUST

FEATURES

- Minimum start up contribution of N50,000.00 plus additional minimum annual contribution of N120,000.00 i.e. A minimum monthly contribution of N10,000.00 and other assets at any preferred interval
- Minimum tenor of 5years
- Access to short-term loans for up to 75% of deposit after one year
- Guaranteed return of 13% per annum subject to money market rates
- Payment can be made through cheques, warrants, direct debit, etc. Through Sterling Bank branches.
- Statement of account issued quarterly or bi annually.
- Access to Sterling financial advisory services.
- Opportunity to buy annuity (backed by credible Insurance outfit)
- Opportunity to clients to exercise their discretion on property investment subject to a minimum contribution of up to N350,000.

RETURNS AT A GLANCE

Initial deposit ofN50,000 plus N10,000 monthly contribution for a period of 5, 10, & 25 years at a glance

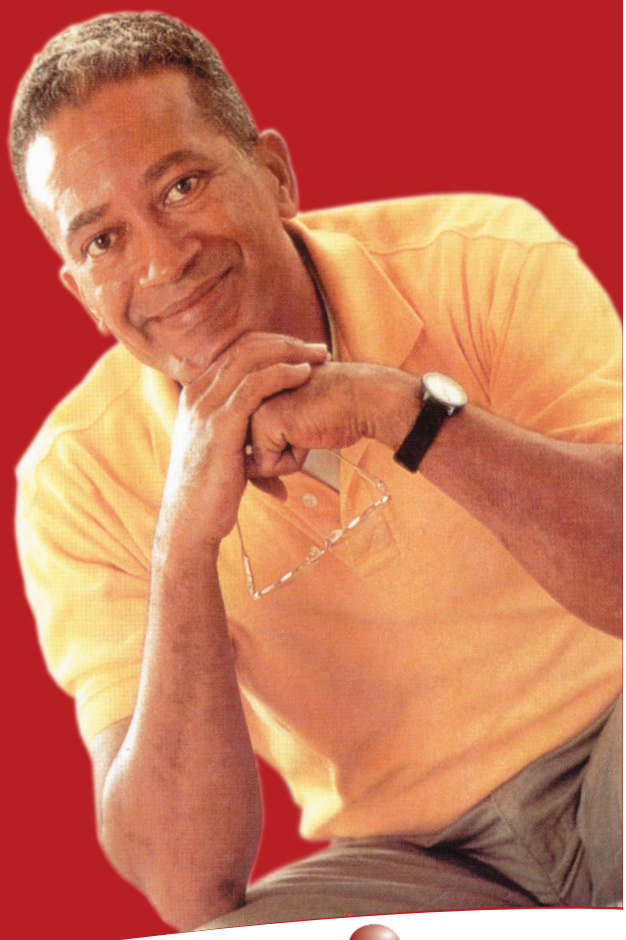
TENOR	INTEREST RATE	CONTRIBUTION FOR THE TENOR	ACCRUED INTEREST FOR THE TENOR	TOTAL PRINCIPAL + INTEREST
5 Years	13%	N640,000	N283, 525.54	N923, 525.54
10 Years	13%	N1,240,000	N1,372,495.46	N2,612,495.46
20 Years	13%	N2,440,000	N9,554,017.69	N11,994,017.69

We all dream of the day when we can take life a little bit slower and have the chance to enjoy the things we always wanted to do. With the Sterling Optimal Retirement Trust SORT, individuals can actually achieve this goal. This Trust is directed to help a retiree top his life in retirement, thereby helping him to prepare for a rain day. SORT is largely meant for individuals, bearing in mind that in addition to what employee will do when he retires (or what he has earlier provided for himself), he will have additional support for himself.

With SORT, retirees are the beneficiary, but in case anything happens, then the benefit of the Trust will go to his spouse or children as may be directed. All these arrangements are documented in a legal document called a Trust Deed.

Retirement?

We've got it all sorted out



SAMTL | GROUP

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Contents

Global and Nigerian economies continue to slowdown.

Friday Omayebu

MD/CEO
Sterling Asset Management & Trustees LTD.

I am delighted to present to you this edition of the SAMTL Economic and Financial Outlook for the fourth quarter of the year 2019. At SAMTL, we will continue to critically review key advances in the global and local economies while trying our possible best to provide an outlook for the rest of the year.

The third quarter of the year has been momentous, and the events which have occurred are likely to determine the growth outlook for the rest of the year.

According to the International Monetary Fund (IMF), global economy growth is expected to remain slow for the rest of the year, due mainly to weaker activities in advanced economies and China. Furthermore, investment and consumer spending have declined. The principal risk factors to the global economy according to the IMF include further US-China tariffs, US auto tariffs, a no-deal Brexit, weakened investment, dislocation of global supply chains, and severely slow global growth.

According to OPEC, Crude oil prices fell about 20% in August 2019 from its highs hit in April due to tensions in the Middle East and escalation in the trade war between the United States and China.

On the Nigerian front, President Muhammadu Buhari formally inaugurated his new cabinet following a successful re-election earlier this year. 43 ministers – substantive and ministers of state, took their oaths.

Nigeria's GDP grew by 1.94% in Q2 2019 compared to 2.10% in Q1 2019. The weak Q2 GDP growth indicates that the economy is in need of a fiscal stimulus. This should be the focus of the fiscal team as they formulate the 2020 budget and the medium term policy framework.

The equities market ended Q3 2019 in the negative territory attributed to post-election uncertainties that continue to trail the economy, as well as the weak Q2 corporate earnings.

As the newly formed cabinet sets out to implement the 2019 budget, the construction and real estate sectors stand to benefit from capital spend. Therefore, we expect a marginal increase in Q3 economic performance.

We at SAMTL group will be available to guide you through this period, and you can always reach me via email: Friday.omayebu@sterlingassetng.com

SiRA

SAMTL INDIVIDUAL RESOURCE ACCOUNT

This is an investment with the objective of providing future comfort for the owner at retirement in the area of acquisition of property, start a new business or financing education. It is flexible and the available investment vehicles are Money Market, Government Securities, Equity Funds, Guaranteed Investments, Contract and Real Estate Fund.

Sira gives you the power to create Wealth

FEATURES:

- Minimum start up contribution of N50,000
- Minimum monthly contribution of N10,000
- Ideal for building up financial resources for future
- Can be used as collateral for Loan from SAMTL
- Attractive interest rates
- Regular deposits can be made through cheques, post-dated cheques, direct lodgement into our account
- No management fee charged
- Backed by insurance cover

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MACRO-ECONOMIC
&
FINANCIAL OUTLOOK Q4 2019

1

Investors' take away

- Global economy growth is expected to remain slow for the rest of the year.
- Inflationary pressures are expected to be re-ignited as a result of increased seasonal demand and the implementation of the minimum wage policy.
- A significant enough spike in inflation could make the MPC change its stance to further tightening interest rates
- Global oil demand is expected to drop mainly due to changes to the economic outlook for next year
- Equities market fundamentals are expected to change in the last quarter of the year as the market indices in Q4 have always risen by 1.8% on the average over the past 22 year.

Macroeconomic scorecard

	19-Jan	19-Feb	19-Mar	19-Apr	19-May	19-Jun	19-Jul	19-Aug	19-Sep	2019 P
GDP Growth(%)	1.93	1.93	1.93	2.01	2.01	2.01	2.01	1.94	1.94	2.1
Inflation (%)	11.37	11.31	11.25	11.37	11.4	11.4	11.08	11.02	-	11
Exchange Rate (N/$)	358	358	357.5	363.5	363	362.5	362	362.93	362.73	362
External Reserve ($bn)	43.17	42.29	44.42	44.79	45.12	45.07	44.92	43.61	43.36	45
MPR(%)	14	14	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13
Crude Oil Production (mbpd)	2.08	1.99	1.92	1.95	1.73	1.86	1.96	1.79	1.7	2.5
Brent Crude ($pb)	62.05	66.32	66.47	63.91	53.5	66.69	65.05	59.25	60.95	70
Power (MW)	3,952.00	4,148.00	3,795.00	4,129.20	4,122.00	4,344.00	4,437.00	3,676	3,524	5,000.00
Equities Market Capitalisation (N'tr)	11.39	11.82	11.67	10.95	13.68	13.11	13.21	13.39	13.47	11.92
NSE All Share Index (points)	30,557.20	31,721.76	31,041.42	29,159.74	31,069.37	29,749.35	29,966.87	27,525.81	27,675.04	33,000.00
Treasury Bills (TBs)										
T Bills (91 Days)	11	11.9	10.3	10.15	10	9.6	9.75	11.1	11.1	10
T Bills (182 Days)	13.5	13.01	12.2	12.5	11.95	11.89	10.6	11.59	11.75	11.8
T Bills (364 Days)	15	14.37	12.35	12.74	12.2	12.02	11.18	12.89	13.3	12
O/N (%)	11.36	14.25	10.67	9.82	4.14	4.64	4	10.5	10.67	-
OBB (%)	10.29	13.17	9.86	8.96	4.93	4	3.29	9.29	7.77	-

Potential risk

- Escalating trade and technology tensions
- A no-deal Brexit
- Broad-based emerging markets crisis

Outlook Scenario

SCENARIO 1: Strong growth - 30% probability

World Economy & Markets

- Easing of macroeconomic policies
- Reduction in trade and technology tensions
- The possibility of a truce between the United States and China
- An orderly Brexit followed by a gradual transition into a new regime

Nigeria

- Accommodative monetary policy
- Signing of the African Continental Free Trade Area (AfCFTA)
- Increased Banks' credit to the Economy
- Swifter passage of bills
- Industrialisation focused on Small and Medium Scale Enterprises

SCENARIO 2: Slow growth - 70% probability

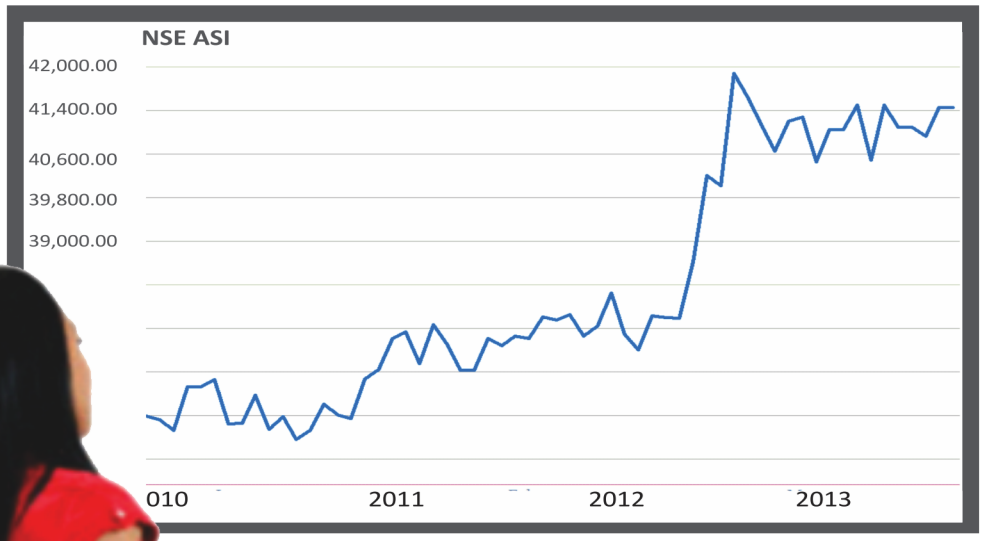
World Economy & Markets

- Prolonged global trade tensions
- Disruptions to trade and technology supply chains
- Weak global automobile production
- Increased prospects of a no-deal Brexit
- Slowdown in Chinese economy
- Drop in exports and household spending in the Euro area

Nigeria

- Decline in global oil prices triggered by escalated global trade tension
- Rising trade uncertainty
- Slowdown in PMI to negatively impact economic growth
- Low investors' appetite for Nigerian equities for the rest of the year
- Rising debt levels
- Heightening cases of insecurity across the country
- Slow budget implementation

ARE YOU THINKING OF HOW TO PROFIT FROM THE FINANCIAL MARKET?



Few years from today your biggest regret may be not investing NOW!

What you **NEED** is a **TRUSTED**
Manager

Associated Asset Managers Ltd

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We manage the risks as vigilantly as we seek returns

Global Economy

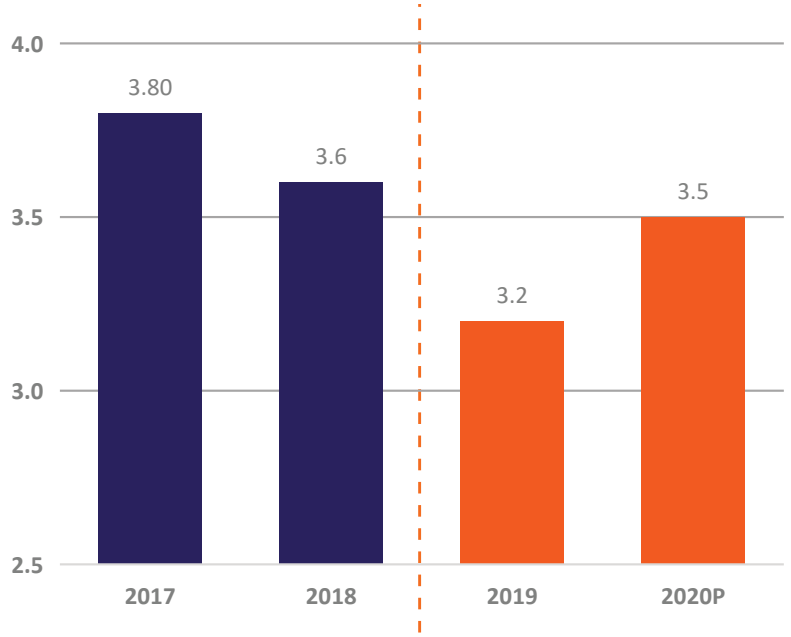
Global Economy | Growth expected to remain slow.

Global economy growth is expected to remain slow for the rest of the year, due mainly to weaker activities in advanced economies and China. The growth has been affected negatively by weak external demands, continued policy uncertainty as trade tensions remain paramount in spite of the US-China trade agreement prospects. Technology tensions have also erupted threatening global technology supply chains, and the possibility of a no-deal Brexit have increased.

Furthermore, investment and demand for consumer durables have declined across advanced and emerging market economies as companies and households continue to hold back on long-term spending. Subsequently, trade policy disputes have significantly impacted manufacturing, as new orders have declined due to uncertainty about the timing of tariffs and restrictions on goods thereby making companies to anticipate changes to their supply chains. Manufacturing activity on a global basis slipped into contraction territory at the end Q2 2019, according to the JPMorgan Global Manufacturing PMI.

Global inflation dropped from 2.9% in July to 2.7% in August 2019 (excluding Venezuela). Slow global economic growth activities and cheap oil

Figure 1: Global Growth Forecast (%) 2017- 2020P



Source: IMF: World Economic Outlook, Jul., 2019.

prices are expected to exert downward pressure on inflation this year and in 2020 especially among advanced economies. Low inflation is allowing central banks to cut their monetary policies in order to make up for the weak economic growth. The US Federal Reserve and ECB both cut their rates recently, China cut the reserve requirement ratio in August, while Brazil, India and Russia all slashed their interest rates. Additionally, the weak prospects for the global economy and the likely lowering of monetary policy are prompting most currencies to depreciate against the US. Dollar.

According to the IMF, Global growth is projected at 3.2% for 2019 before growing to 3.5% in 2020 (0.1% point lower for both years than in the previous estimate). Nevertheless, close to 70% of the increase depend on an improvement in the growth performance in stressed emerging market and developing economies and is therefore subject to high uncertainty.

Moreover, tight labor markets and more accommodative monetary policy should provide some support. The principal risk factors to the global economy according to the IMF include further US-China tariffs, US auto tariffs, a no-deal Brexit, weakened investment, dislocation of global supply chains, and severely slow global growth below the baseline.

The US economic growth slowed in Q2 2019 due to falling fixed investment and a weak external sector that pulled down growth.

United States | Growth expected to gradually decelerate moderately

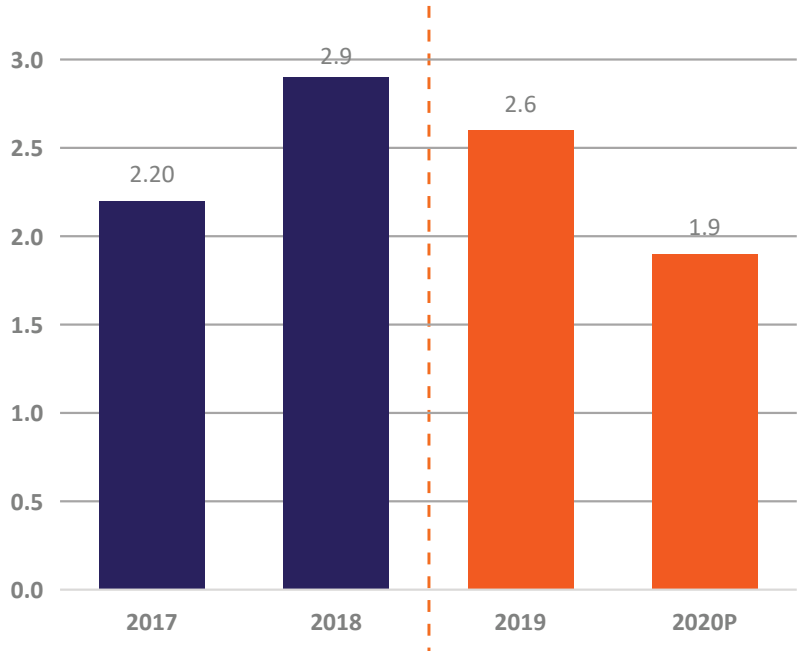
The US economic growth slowed in Q2 2019 due to falling fixed investment and a weak external sector that pulled down growth. However, household spending rose strongly over the quarter and has continued into Q3 2019. In July, retail sales were surprisingly strong, consumer confidence recovered and the employment report revealed a healthy labor market. However, details of employment report in August revealed signs of declining economic momentum.

The manufacturing sector decline in August 2019, with the ISM index dropping to a near three-year low, weighed on by declining external demand in the ongoing trade dispute with China. Moreover, the recent escalation in trade tensions implied a quick resolution to the trade war is highly unlikely, which will impact on growth in the future and could prompt the Federal Reserve to further loosen it monetary policy

At its September 2019 monetary policy meeting, the Federal Reserve's Open Market Committee (FOMC) voted to cut its target range for the federal funds rate to 1.75%–2.00%. the Bank's decision came in a bid to stimulate economic activity and to provide insurance against ongoing risks.

The US growth is expected to moderate for the rest of 2019 due to a weaker global economic outlook and the ongoing U.S.-China trade dispute which

Figure 2: United States Projected GDP Growth (%) 2017- 2020P



Source: IMF: World Economic Outlook, Jul., 2019.

U.S. growth is expected to be 2.6% in 2019 and moderating to 1.9% in 2020.

is weighing on business investment, manufacturing and exports. However, strong consumer spending, robust exports, inventory accumulation and lower borrowing costs should make up for any slowdown.

According to the IMF, U.S. growth is expected to be 2.6% in 2019 and moderating to 1.9% in 2020 (0.3% point higher than previous estimate) as the fiscal stimulus decline. The key downside risks stem from the continued trade row and high corporate debt.

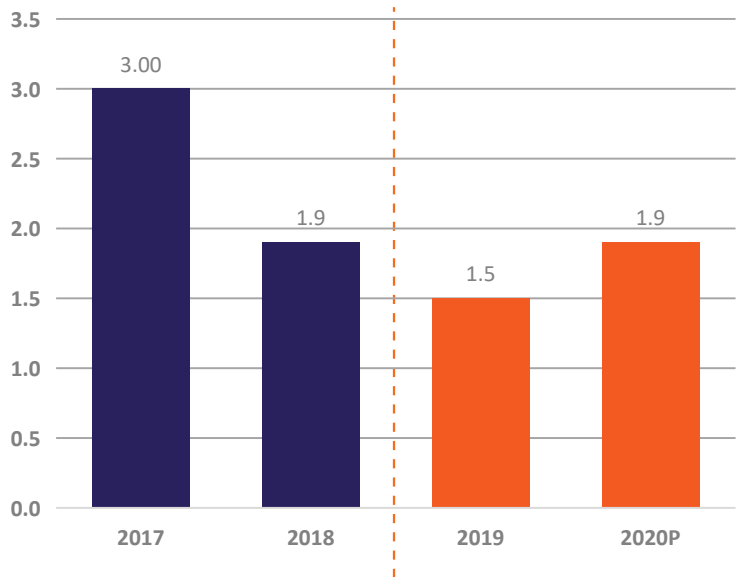
Canada | Growth expected to grow moderately

The Canadian economy gained momentum in Q2 2019. GDP growth exceeded expectations in the month of May, with the manufacturing sector expanding strongly, buttressed by normal production in the automobile industry following temporary shutdowns in April. However, low retail sales in Q2 2019 imply consumers remain wary in spite of the strong labor market.

Furthermore, according to the Canada Mortgage and Housing Corporation (CMHC), housing starts increased to 226,639 units on a seasonally-adjusted annualized rate (SAAR) basis in August, up from July's downwardly revised 222,467-unit reading (previously reported: 222,013) and smashing analysts' expectations of 215,000 units.

Looking at the Q3 2019, the economy appears to be slowing down. In July,

Figure 3: Canada Projected GDP Growth (%) 2017- 2020P



Source: IMF: World Economic Outlook, Jul., 2019.

The key downside risks are the U.S.-China trade tensions, volatile oil prices and elevated household debt.

the unemployment rate rose, while confidence among small businesses fell due to skilled labor shortages and weak domestic demand which impacted on sales. Moreover, the manufacturing PMI moved back into positive territory, while strong housing starts portend well for residential investment.

At it September meeting, the Bank of Canada (BoC) left its target for the overnight rate unchanged at 1.75%, as had been widely anticipated by market analysts. The Bank's decision to stand impeccably was backed by stronger-than-expected growth in the Q2 2019.

Growth is expected to moderate this year, due to the weaker global growth outlook which hits exports. Moreover, pipeline delays and the recently announced extension of Alberta's oil cuts will cap the energy sector's contribution.

According to the IMF, growth is expected to be 1.5% in 2019 and moderating to 1.9% in 2020. The key downside risks are the U.S.-China trade tensions, volatile oil prices and elevated household debt.

United Kingdom | Struggling with the complications of Brexit

The UK economy contracted in Q2 2019 for the first time in closely 7 years, as a result of destocking following a rise in inventories in the Q1 2019, and suppressed fixed investment. On the other hand, private consumption boomed on strong public spending, decade-high wage growth and solid job

gains. The unemployment rate according to IMF dropped to 3.8% in May-July 2019 from 3.9% in the previous rolling quarter, marking the joint-lowest rate since the 1970s.

Going forward into Q3 2019, growth is likely subdued, held back by low business investment and weaker growth in key trading partners. However, higher wages and a more expansionary fiscal position should sustain activity, while inventory changes as companies prepare for a no-deal which will likely affect GDP figures.

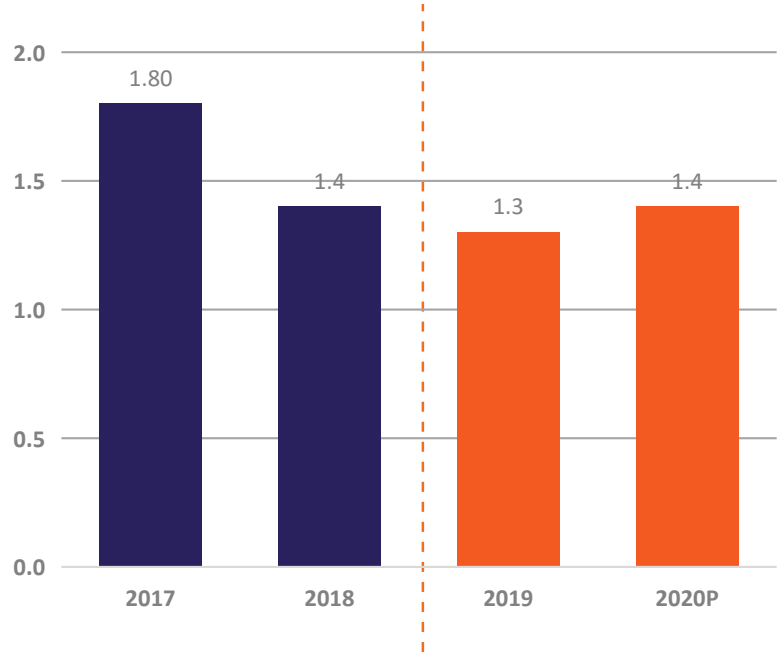
In September 2019, MPs backed a bill aimed at stopping a no-deal Brexit, by forcing the prime minister to seek a three-month extension beyond 31 October 2019 if a Brexit deal has not been approved by 19 October. Recent developments reduce the possibility of a no-deal Brexit on 31 October; nevertheless a hard withdrawal remains a possibility.

At its September 2019 meeting, the Monetary Policy Committee (MPC) of the Bank of England (BoE) voted firmly to retain the Bank Rate unmoved at 0.75%. The Bank also agreed to maintain the stock of investment-grade corporate bond purchases at GBP 10 billion and the stock of UK government bond purchases at GBP 435 billion, financed by the issuance of Central Bank reserves. All decisions were in line with market expectations.

According to the IMF, growth in the UK is expected to grow to 1.3% in 2019 and 1.4% in 2020.

According to the IMF, growth in the UK is expected to grow to 1.3% in 2019 and 1.4% in 2020 (0.1% point higher than previous estimate). The highly uncertain outcome of Brexit remains the key downside risks.

Figure 4: United Kingdom Projected GDP Growth (%) 2017-2020P



Source: IMF: World Economic Outlook, Jul., 2019.

Euro Area | Growth expected to pick up modestly

Growth in euro area shifted into a lower gear in Q2 2019 due to an adverse external environment that caused exports and household spending to drop. Early into Q3 2019, economic sentiment dropped to a near three-year low in July and the composite PMI also dropped. The PMI continued to point to a two-speed economy, with the services sector growing rapidly while manufacturing activity remained weak. Industrial production recorded its fourth drop in five months in July and the manufacturing.

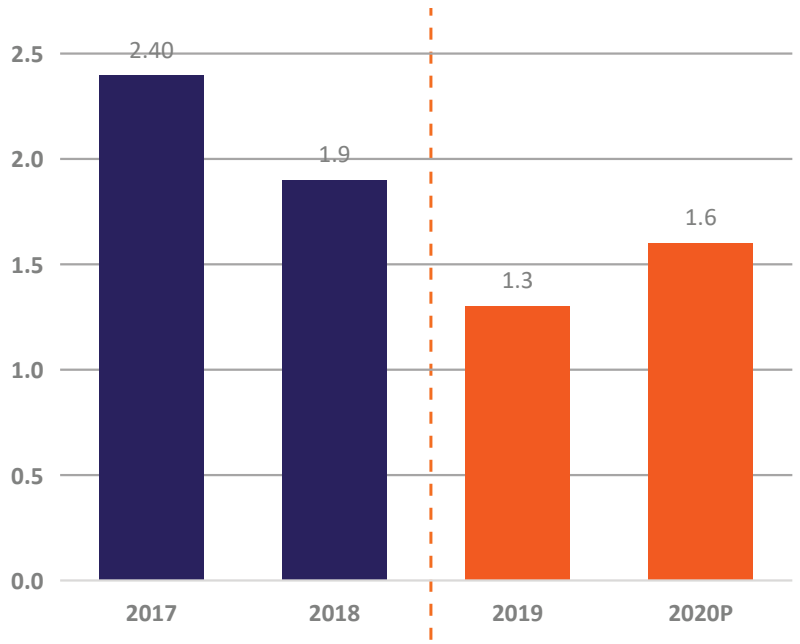
At it September 2019 meeting, the European Central Bank unveiled a broad stimulus package, in order to revive growth and inflation in the Eurozone economy. Growth is expected to pick up over the remainder of this year and into 2020, as external demand is projected to recover. Inflation is expected to remain modest this year considering weak economic activity and low expectations ahead.

Growth is expected to pick up over the remainder of this year and into 2020.

The forecast for 2019 according to the IMF is revised down slightly for Germany due to weak external demand, which weighs on investment, but it remain the same for France where fiscal measures are expected to support growth and the negative effects of street protests are disintegrating and Italy where the uncertain fiscal outlook is similar in previous quarter, taking a toll on investment and domestic demand. Growth has been revised up in Spain, reflecting strong investment and weak imports.

According to the IMF, growth in the euro area is expected to be 1.3% in

Figure 5: Euro Area Projected GDP Growth (%) 2017-2020P



Source: IMF: World Economic Outlook, Jul., 2019.

2019 and 1.6% in 2020 (0.1% point higher than previous estimate). The key down risks include rising trade tensions, slowing activity in China and a no-deal Brexit.

Japan | Sales tax hike expected to slow growth moderately

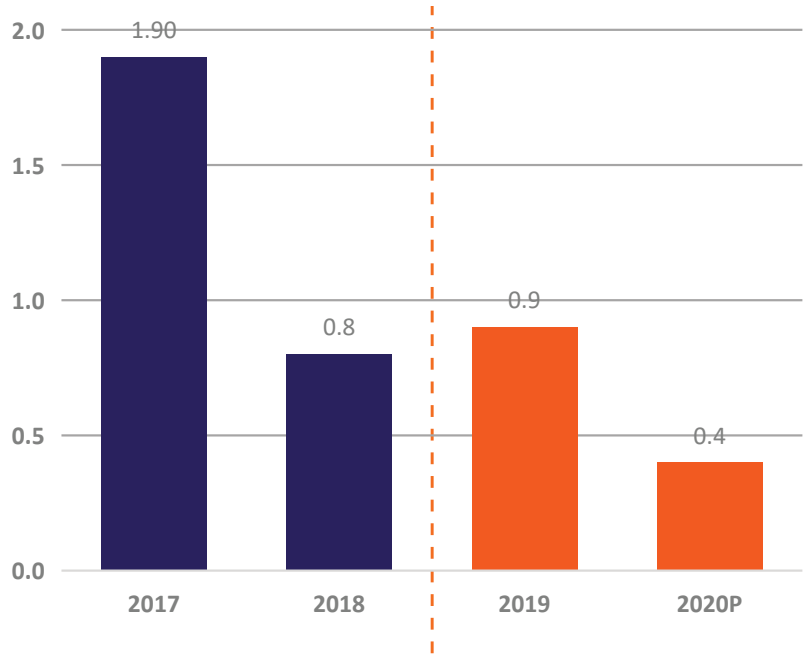
The economy performed worse than initally expected in the Q2 2019 due to a downgrade in capital spending. Core machinery orders, which is a leading indicator for capital spending, dropped in July over a three- to six-month period, as global trade tensions continue to upset investment planning. The dropped in GDP figure for Q2 sparked worries about the future growth path of the country as the economy is coping with negative spillovers stemming from the China-U.S. trade war weakening exports.

In spite of the weaker Q2 2019 GDP reading, Prime Minister Shinzo Abe decided to move ahead with a long-delayed sales tax hike from 8% to 10% for 1 October. The previous increase in the sales tax in 2014 caused the economy to collapse, with private spending posting the largest drop in history in Q2 2014. The government this time around has planned a host of fiscal countermeasures to prevent an economic blow.

The government this time around has planned a host of fiscal countermeasures to prevent an economic blow.

On the other hand, consumer confidence dropped to an over five-year low in August 2018, implying that private consumption could drop in the coming quarters. Moreover, an uncertain global economic outlook is putting a dent

Figure 6: Japan Projected GDP Growth (%) 2017- 2020P



Source: IMF: World Economic Outlook, Jul., 2019.

in Japan's all-important external sector and businesses' investment plans. On the brighter side, the services sector performed up well in July-August 2019, while the unemployment rate dropped to a near three-decade low in the same period.

At its September 2019 meeting, board members at the Bank of Japan (BoJ) decided in a seven-to-two vote to maintain its current monetary policy stance, in line with market analysts' expectations. The BoJ kept the short-term policy rate applied to current account balances held by financial institutions at the Bank at minus 0.10%. The BoJ's decision contrasts with recent moves by the U.S. Federal Reserve and the European Central Bank to ease their monetary policies in recent weeks. However, the Bank appears more open to further easing its ultra-loose monetary policy at its October meeting, in order to revive anemic inflation and support the economy

Japan economic growth is expected to be slow in Q4 2019 and 2020, following the introduction of the sales tax hike in October 2019. Fiscal stimulus, works related to the 2020 Olympics and low unemployment should make up for the economy against a sharp slowdown.

According to the IMF, Japan's economy is expected to grow by 0.9% in 2019 but decline to 0.4% in 2020.

According to the IMF, Japan's economy is expected to grow by 0.9% in 2019 (0.1% point lower than anticipated in previous estimate), but decline to 0.4% in 2020. The key down risks include rising trade protectionism and a slow global economy.

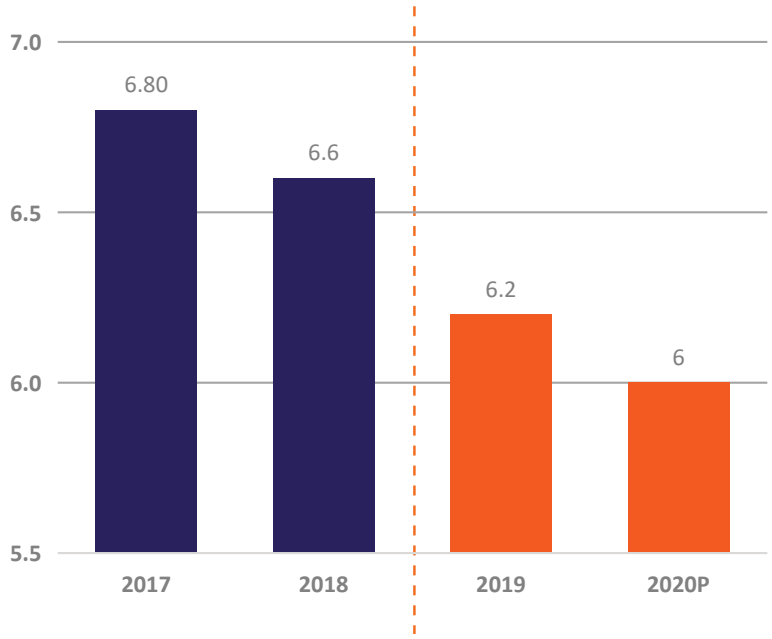
China | Growth slowing gradually and expected to decline modestly

China economy continues to weaken after GDP declined to 6.2% in Q2 2019 signifying a 27-year low. The official manufacturing PMI remained in negative territory for the fourth consecutive month. Lower output and overall new orders, especially from overseas, are reducing purchasing activity and preventing job creation.

Exports dropped in August after recovering in July 2019, while imports continued to drop on low oil prices and weak domestic demand. Moreover, trade disputes escalated again in late August following the U.S. decision to increase tariffs by 5% on all Chinese goods starting 1 October. Although China and the U.S. agreed on 5 September to resume trade talks in early October, the possibility of a truce anytime soon appears low.

In the coming quarters, the trade war between China and the United States will continue to weigh on China's economic growth and will be the main factor to watch, along with weak domestic demand. Although Chinese authorities are using monetary and fiscal tools to support overall growth, the

Figure 7: China Growth Forecast (%) 2017-2020P



Source: IMF: World Economic Outlook, Jul., 2019.

The economy is expected to slow for the remaining part in 2019

stimulus is nowhere near the scale adopted in the wake of the global financial crisis.

According to the IMF, growth is expected to be 6.2% in 2019 (0.1% point lower than previous estimate) before declining to 6.0% in 2020. Policy stimulus however, is expected to support activity in the face of the adverse external shock. The key down risks include escalating tariffs and weakening external demand.

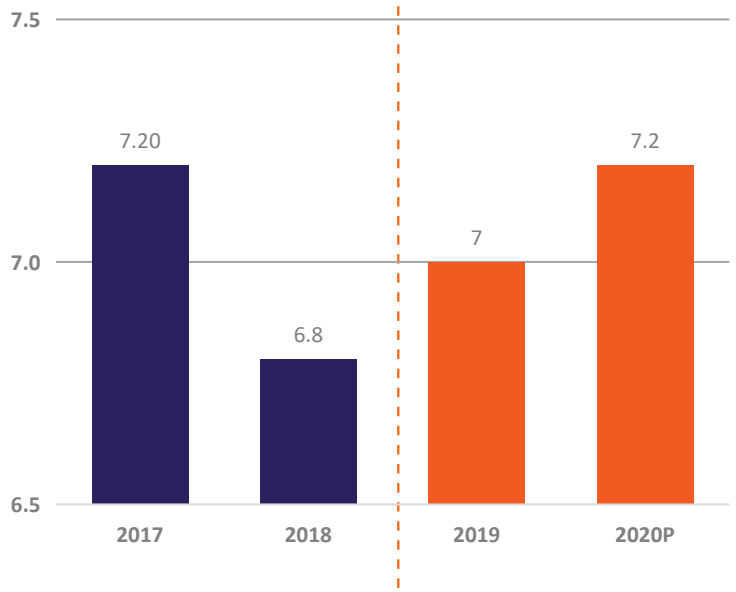
India | Growth expected to be slow

The Indian economy regain traction in Q2 2019. Subsequently, in July–August, private sector activity grew at a notably faster pace, according to PMI data. Furthermore, the government announced new measures in August 2019 to try to stimulate the economy, including several mergers of public-sector banks and the relaxation of FDI rules. In contrast, vehicle sales dropped in annual terms in previous months, and remarkably in August.

The economy is expected to slow for the remaining part in 2019 due to the struggle of non-bank financial lenders which is restraining the availability of new loans to consumers and businesses. Moreover, weak public finances, tense relations with Pakistan and a slowing global economy will also weigh on the outlook. However, lower interest rates are seen impacting on growth.

At its August meeting, the Reserve Bank of India's Monetary Policy

Figure 8: India Growth Forecast (%) 2017-2020P



Source: IMF: World Economic Outlook, Jul., 2019.

Committee (MPC) cut all monetary policy rates by 0.35% points, reducing the repo rate to 5.40%, the marginal standing facility to 5.65% and the reverse repurchase rate to 5.10%. The MPC also voted unanimously to keep the official monetary policy stance as accommodative. This decision was mainly influenced weak economic activity, threat from global economic slowdown and escalating trade tensions

According to the IMF, India's economy is expected to grow at 7% in 2019 and rise to 7.2% in 2020 (0.3% point lower than previous estimate), reflecting a weak outlook for domestic demand.

Sub-Saharan Africa | Growth expected to remain slow

Growth prospects were cut for Q3 2019, mainly by expectations of Angola remaining in recession and on weaker outlooks for smaller economies like DR Congo, Mozambique and Zambia.

In Nigeria, the expected recovery in the oil sector recovered in Q2 2019 as a result of higher output compared to last year after it had contracted for four consecutive quarters. However, annual growsth dropped further in the non-oil segment of the economy, while declining activity in the trade and financial services industries largely led the services sector to expand only modestly.

In Angola, crude production fell to its lowest level in over 13 years in July, and despite bouncing back in August, it remained subdued. Furthermore,

the government announced a major privatization drive in August 2019 in which 195 state-owned companies would be sold in 2019–2022 in a bid to improve the business environment and diversify the economy away from oil. Five industrial units were already reportedly sold earlier in September, with the government taking in around USD 16 million in revenue.

Regional inflation grew to 11.2% in July (June: 10.5%), the highest reading in 18 months. Faster food price growth in Ghana and Kenya, and galloping inflation in Zimbabwe largely drove July's pick-up. This year, price pressures are seen receding somewhat from 2018, in large part due to relative FX stability and still largely-tight policy stances by central banks.

Angola at its July 2019 meeting, the Monetary Policy Committee (MPC) of the National Bank of Angola (BNA) decided to keep the policy rate at an over three-year low of 15.50% and left the coefficients of mandatory reserves in local currency at 17.0% and foreign currency at 15.0%.

Nigeria at its July 2019 meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) left the monetary policy rate and all other monetary policy parameters the unchanged. The policy rate remains at 13.50%, while liquidity ratio is at 30.00% and the cash reserve ratio at 22.50%.

According the IMF, growth in Sub-Saharan Africa is expected to be 3.4% and grow to 3.6% in 2020.

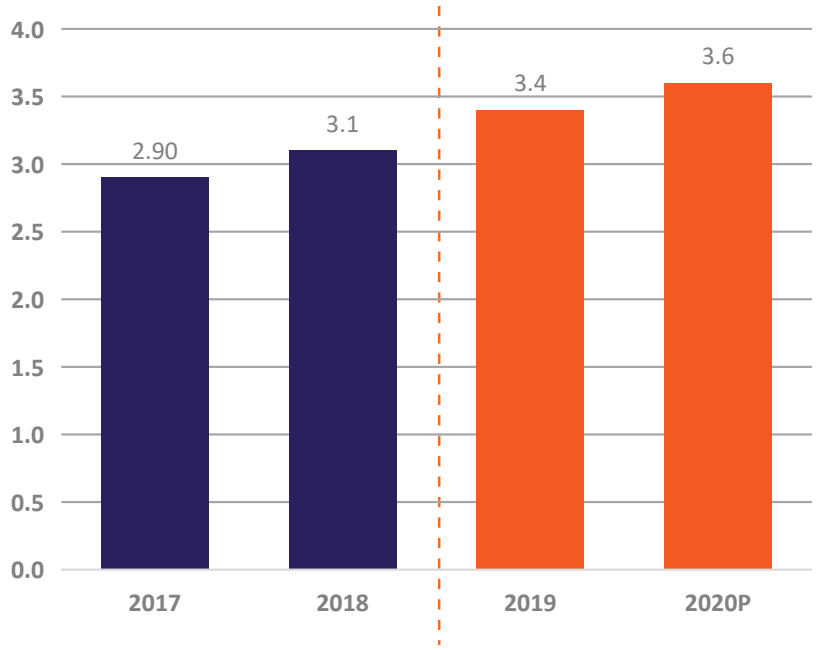
South Africa, at its July 2019 meeting, the MPC of the South African Reserve Bank (SARB) cut the repurchase rate to 6.50% from 6.75%, after holding it for eight months. The central bankers are further seen loosening policy which is prompted mainly by the downward trend in inflation observed domestically and the strategic stance taken by central banks globally.

Currencies across the Sub-Saharan Africa weakened only marginally in recent weeks. The South African rand was a notable exception, which rallied in early September on news of low risk of a credit rating downgrade and further policy easing by the ECB. Most of the region's currencies are expected to depreciate this year, although at a weaker pace than that experienced in 2018.

Higher and volatile oil prices have impacted the outlook for Angola, Nigeria, and other oil-exporting countries in the region. But growth in South Africa is expected at a more subdued pace in 2019 than previously projected, reflecting a larger-than-anticipated impact of strike activity and energy supply issues in mining and weak agricultural production

According the IMF, growth in Sub-Saharan Africa is expected to be 3.4% and grow to 3.6% in 2020 (0.1% point lower for both years than in previous estimate). This is due to strong growth in many non-resource-intensive countries which partially offsets the weak performance of the region's largest economies. Elevated trade tensions, commodity-price volatility, a weakening global economy, the slow pace of domestic reforms, corruption challenges, and policy uncertainty are the key downside risks to the outlook.

Figure 9: Sub-Saharan Africa Growth Forecast (%) 2015-2019P



Source: IMF: World Economic Outlook, Jul., 2019.

The Brent crude oil spot prices averaged $59 per barrel (b) in August, dropped by $5/b from July and $13/b lower than the average from August of last year.

Crude Oil | Global economic uncertainties driving oil demand growth down

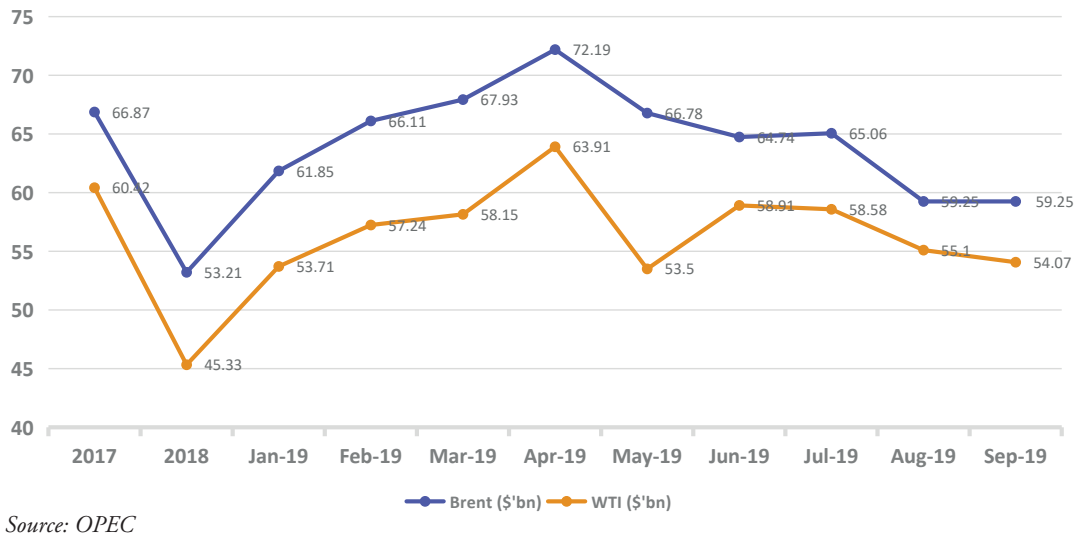
Price

According to OPEC, Crude oil prices fell about 20% in August 2019 from its highs hit in April, in part due to an escalating trade war between the United States and China, which is impacting the global economy negatively and in turn, price of oil. The Brent crude oil spot prices averaged $59 per barrel (b) in August, dropped by $5/b from July and $13/b lower than the average from August of last year.

Supply

OPEC raised its production by 136,000 bpd from July to 29.741 million bpd last month, as a result of the higher output in Saudi Arabia, Nigeria, and Iraq. The Saudis lifted production by 118,000 bpd to 9.805 million bpd, but still more than 500,000 bpd below their quota under the deal. Furthermore, Iraq which is OPEC's second-largest producer, that has always had issues with keeping within its cap, lifted its oil production by 43,000 bpd to 4.779 million bpd, well above its 4.512-million-bpd quota. Similarly, production in Venezuela rose by another 43,000 bpd to average just 712,000 bpd in August 2019.

Figure 10: Oil Prices for Brent & WTI 2017- 2019



Source: OPEC

Demand

According to OPEC, demand for crude oil for 2019 was cut by 80,000 bpd to 30.6 million bpd, which would be 1 million bpd lower than the 2018 level. For 2020, demand is expected at 29.4 million bpd, around 1.2 million bpd lower than the expected level for 2019. OPEC opined however, that weaker oil demand growth is expected to be outpaced by the strong growth in non-OPEC supply in 2019.

Projection

OPEC project global oil demand to drop to 1.02 million bpd this year, 80,000 bpd less than previously expected because of weaker demand in the first half and expectations of slower economic growth for the rest of 2019. It expects global oil demand growth to drop in 2020 by 60,000 bpd to 1.08 million bpd, mainly due to changes to the economic outlook for next year.

Similarly, the EIA cut its global oil demand projection to 900,000 bpd, down by 100,000 bpd from the August forecast, observing that this year might be the first year since 2011 in which demand growth hasn't exceeded 1 million bpd.

Key Global Risks

For 2019, the key sources of risk to the global growth are the outcome of escalating trade and technology tensions, a no-deal Brexit, renewed financial sentiment and slowdown in China that will take in upcoming months. If the difference between countries are resolved without further raising distortive trade barriers and the financial market sentiment recovers, then improved confidence and easier financial conditions could strengthen each other to lift growth above the baseline forecast. However, the balance of risks remains tilted to the downside, as in the April 2019 World Economic Outlook.

	RISK	DESCRIPTION	IMPACT
1	**Escalating trade and technology tensions**	A full-scale trade, currency, tech and cold war between the United States and China. Trade relations between the United States and several of its major trading partners remain weak and could worsen further	Would push the current downturn in manufacturing, trade and capital spending into services and private consumption, tilting the US and global economies into a severe recession Higher trade policy uncertainty and concerns over escalation and retaliation, significantly disrupt global supply chains, would lower business investment and slow productivity growth The resulting depressed outlook for corporate profitability could dent financial market sentiment and further dampen growth According to the IMF, the combined effect of tariffs imposed last year and potential tariffs envisaged in May 2019 between the United States and China could reduce the level of global GDP in 2020 by 0.5%
2	**A no-deal Brexit**	A likelihood of no-deal Brexit from the European Union	Would lead to a severe recession in the United Kingdom but not in Europe, because the UK is more dependent on trade with the EU than vice versa It could even lead to new currency wars, if the value of the euro and pound were to fall too sharply against other currencies

3	**Renewed financial market sentiment**	Escalating trade tensions and worries regarding several emerging markets Shifting expectations about monetary policy across major economies	Global trade could actually decline, with major knock-on effects for inflation, business sentiment, consumer sentiment and, ultimately, global economic growth. A range of catalysing events in key systemic economies could spark a broader deterioration in investor sentiment and a sudden, sharp repricing of assets amid elevated debt burdens. Disinflationary pressures can lead to difficulties in debt servicing for borrowers.
4	**Surprise slowdown in China**	In China, a shift towards looser macroeconomic policy settings is under way as a result of the escalating trade conflict with the US. The authorities would make every effort to prevent a funding crunch in any bank, even a hint of banking sector distress could cause problems, given the boom in debt over recent years.	A substantial decline in China would lower commodity prices worldwide, with a widespread effect on commodity exporters Resolving these issues, could prove challenging, forcing the economy into a sudden downturn particularly as the trade conflict with the US also weighs on economic activity In addition, given the growing dependence of Western manufacturers and retailers (especially Germany) on demand in China and other emerging markets, a disorderly slump in Chinese growth would have a severe global impact far more than would have been the case in earlier decades
5	**Broad-based emerging-markets crisis**	Market sentiment remains fragile, and pressure on emerging markets as a group could re-emerge if market risk appetite deteriorates further than currently expected. In a few instances, a combination of factors, including external imbalances, political instability and poor policymaking, led to full-blown currency crises.	Capital outflows from emerging markets could become more indiscriminate and severe, forcing countries with external imbalances to make painful adjustments, with the most vulnerable falling deep into crisis. Emerging-market GDP growth would fall sharply as a result, weighing on the global economy.

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Nigeria's Economic Outlook

Political Environment | Status Quo to Continue?

During the 3rd quarter of the year 2019, several events occurred in the Nigerian political space.

Firstly, after a long wait, President Muhammadu Buhari formally inaugurated his new cabinet following a successful re-election earlier this year. 43 ministers – substantive and ministers of state, took their oaths.

According to the list, President Buhari maintained his position as Petroleum Minister, a post he has held since 2015. A number of appointees from the last cabinet maintained their portfolios among others, Chris Ngige (Labour and Employment), Geoffrey Onyeama (Foreign Affairs), Babatunde Raji Fashola (Works and Housing) and Abubakar Malami (Minister of Justice). The Nigerian Senate vetted and passed all nominees for appointment. Out of the 43 appointees, seven of them were women.

President Muhammadu Buhari formally inaugurated his new cabinet.

Following a series of xenophobic attacks on Nigerians living in South Africa in 2017 due to the alleged involvement of Nigerians in drug trafficking, prostitution and people trafficking, relationships between the two countries deteriorated. In September 2019 the attacks resumed with the destruction of Nigerian property in Johannesburg. An estimated 120 people were allegedly killed since the attacks started.

Reprisal attacks occurred in Lagos, Nigeria. Nigeria pulled out of the ongoing World Economic Forum in Cape Town and also recalled the Nigerian ambassador to South Africa in protest against the attacks. These attacks have led to analysts reviewing the outlook of the performance of South African companies in Nigeria.

Newly appointed Economic Advisory Council (EAC).

President Muhammadu Buhari has constituted a new Economic Advisory Council (EAC) with members as follows:

1. Prof. Doyin Salami – Chairman

2. Dr. Mohammed Sagagi – Vice-Chairman

3. Prof. Ode Ojowu – Member

4. Dr. Shehu Yahaya – Member

5. Dr. Iyabo Masha – Member

6. Prof. Chukwuma Soludo – Member

7. Mr. Bismark Rewane – Member

8. Dr. Mohammed Adaya Salisu – Secretary (Senior Special Assistant to the President, Development Policy)

P&ID vs Nigera: How Nigeria got hit with a $9.6bn judgment debt in London

On 11 January 2010 Process and Industrial Development (P&ID), a company based in the British Virgin Islands, signed a contract with the Federal Government of Nigeria. In an elaborate report by The Africa Report, this contract is called a gas supply and processing agreement. Nigeria's government agreed that, over a 20-year period, it would supply natural gas (wet gas) to P&ID's production facility.

In return, P&ID would process the wet gas by removing natural gas liquids and return approximately 85% of it to the government in the form of lean gas. This lean gas was to be returned at no cost to the Nigerian government.

Based on this agreement, Nigeria was supposed to arrange for the supply of wet gas to P&ID's gas processing facility which it intended to build in the country's Cross Rivers State. This required the government to construct pipelines and arrange facilities for transporting the wet gas. The government failed to do this for three years.

The $9.6 billion appears to be the largest amount of damages awarded against Nigeria to date.

P&ID viewed this failure as a repudiation of the contract. In simpler terms, this means that the government renounced their obligation under the contract. Consequently, in March 2013, P&ID began an arbitration action against the government before a London tribunal.

Clause 20 of the agreement, which both parties signed, provided that any disputes were to be resolved by arbitration with the seat of arbitration being London, England or any other place agreed by the parties. Nigeria tried to contest this, but its appeal to have the tribunal sit in Nigeria failed.

At the tribunal, P&ID claimed that it had invested $40 million in the project even though it had not acquired the land or built any facilities for gas processing. It claimed damages of about US$6.6 billion dollars: the amount of the net income it would have earned over the 20-year period of the agreement.

In response, the government argued that the damages claimed were not a fair and reasonable consequence of the government's breach of the agreement. This is because P&ID never commenced building the gas processing facility. It also argued that P&ID should be awarded only three years' worth of income as by that time, the company should have found some other profitable investment which would reduce its losses from the breach.

Similarly, the government objected to the measure of estimated expenses and income stream which P&ID used to calculate its damages claim.

The $9.6 billion appears to be the largest amount of damages awarded against Nigeria to date. Evidence however suggests this is not the first time that Nigeria has failed to meet its contractual obligations. In 2016 it was reported that investors in Nigeria's power sector threatened to pull out due to the government's failure to meet its contractual obligations.

This case also demonstrates an ongoing issue with the government's attitude to critical infrastructural projects. The Mambilla hydroelectric power project is a case in point. In spite of the huge potential offered by the project, it has been plagued by several controversies ranging from corruption and embezzlement of funds to the "irregular" awarding of contracts, and a general lack of political will.

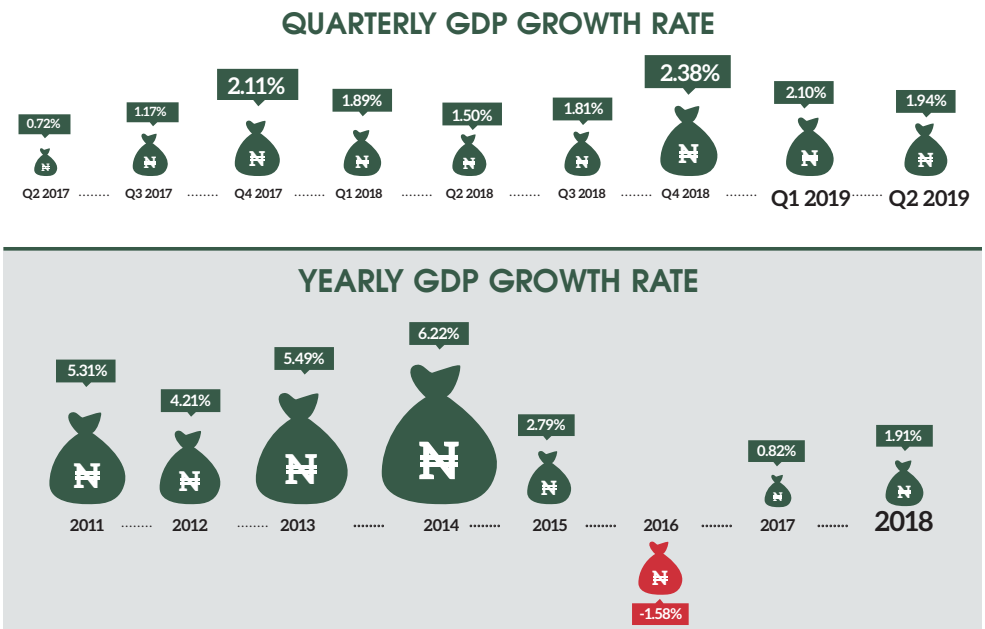
The Nigerian government is yet to pay the judgement debt. Allegations of domestic and international conspiracy surrounding the agreement continue to abound. For now, the government has said that it intends to appeal the amount awarded.

The performance observed in Q2 2019 follows an equally strong first quarter performance

GDP | Decelerating growth: New Fiscal Stimulus Needed?

Gross Domestic Product (GDP) grew by 1.94% (year-on-year) in real terms in the Q2 of 2019 compared to 2.10% (revised from 2.01% due to oil output revisions) recorded in the first Q1 of 2019. This indicates a decline of –0.16% points. On a half year basis, real growth in the first half of 2019 stood at 2.02%, higher than in 2018 which was 1.69%.

Figure 11: GDP Growth Rate (%) 2017- 2019



The performance observed in Q2 2019 follows an equally strong first quarter performance, and was likely aided by stability in oil output as well as the successful political transition.

The Oil Sector recorded in Q2 2019 an average daily oil production of 1.98million barrels per day (mbpd), or 7.6% higher than the daily average production of 1.84mbpd recorded in the same quarter of 2018 but slightly less than output recorded in Q1 2019 (1.99mbpd-revised from 1.96 mbpd). The oil sector posted a real growth rate of 5.15% (year-on-year) in Q2 2019, representing a 9.10% points increase relative to the rate recorded in the corresponding quarter of 2018. It also indicates an increase of 6.61% points when compared to Q1 2019(revised). The sector contributed 8.82% to total real GDP in Q2 2019, up from levels recorded in the corresponding period of 2018 but down compared to the preceding quarter, where it contributed 8.55% and 9.22% respectively.

The non-oil sector grew by 1.64% in real terms during the reference quarter. This was -0.40% points lower than recorded in the same quarter of 2018, and -0.83% point lower than the first quarter of 2019. During the quarter, the sector was driven mainly by Information and communication, Mining and Quarrying, Agriculture, Transportation and Storage, as well as Other Services. In real terms, the Non-Oil sector contributed 91.18% to the national GDP, lower than the share recorded in the second quarter of 2018 (91.45%) but higher than the first quarter of 2019 (90.78%).

A breakdown of the GDP data shows that 6 activities expanded whilst 5 contracted and 8 decelerated.

A breakdown of the GDP data shows that 6 activities expanded whilst 5 contracted and 8 decelerated (slowed). The fastest growing sectors were mainly in services – oil & gas (5.15%), human health (1.13%) and education (0.96%). These sectors contribute approximately 12% to GDP and employ less than 10% of the Nigerian labour force.

Figure 12:

REAL GDP GROWTH RATE OF OIL AND NON-OIL SECTORS

NON-OIL GDP

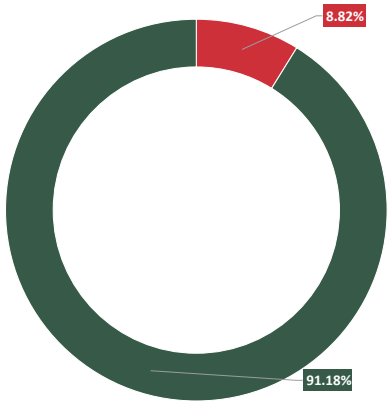
Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
90.45	91.45	90.62	92.94	90.78	91.18

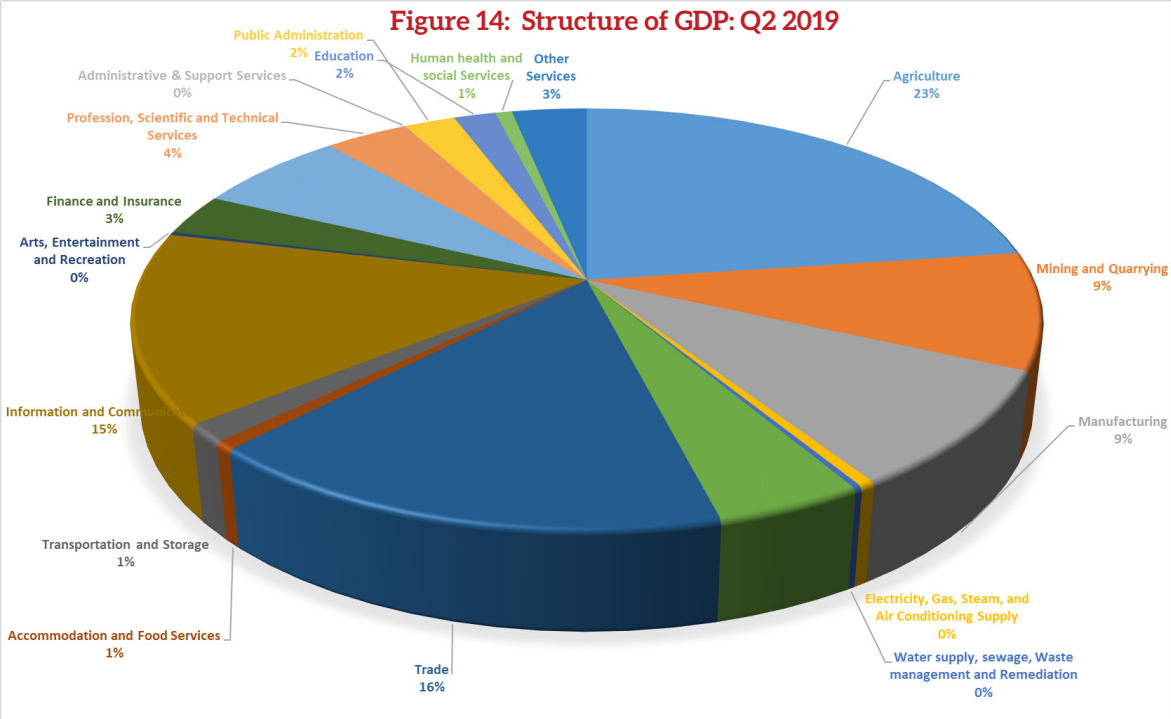
OIL GDP

Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
9.55	8.55	9.38	7.06	9.22	8.82

Figure 13:

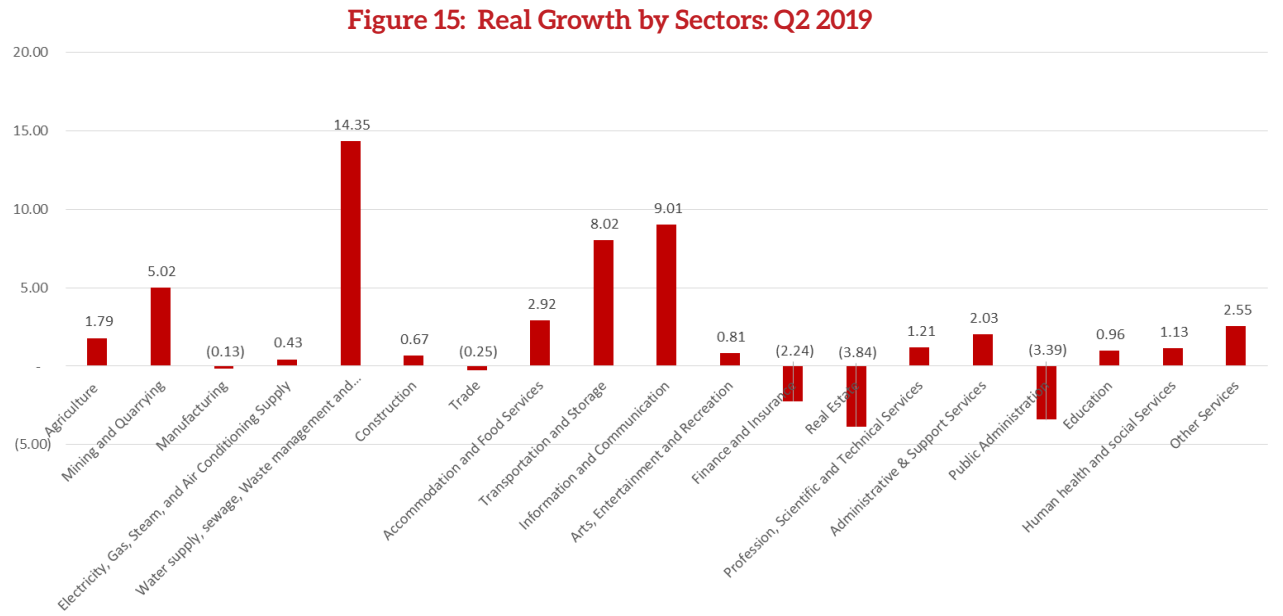
CONTRIBUTION OF OIL AND NON-OIL SECTORS





The decelerating sectors are also interest rate sensitive and employment elastic - agric (1.79%) and construction (0.67%). This lukewarm performance was largely due to seasonal factors. Q2 is usually the planting season of most agric commodities, thereby creating scarcity and pushing up prices. The rainy season also commenced in Q2 and slowed construction activities.

The sectors with negative growth include - manufacturing (-0.13%), trade (-0.25%), and real estate (-3.84%). These sectors employ more than 30% of the labour force.



Source: NBS

The weak Q2 GDP growth indicates that the economy is in need of a fiscal stimulus. This should be the focus of the fiscal team as they formulate the 2020 budget and the medium term policy framework. The fiscal catalyst however needs to be supported by growth stimulating monetary policy.

The harvest season for most commodities is the third quarter of the year. This should have a positive impact on agricultural outputs thereby impacting GDP positively. Also, as the newly formed cabinet sets out to implement the 2019 budget, the construction and real estate sectors also stand to benefit from capital spend. Therefore, we expect a marginal increase in Q3 GDP growth.

Inflation | Core Inflation to Continue Declining but Approaching an Inflection Point

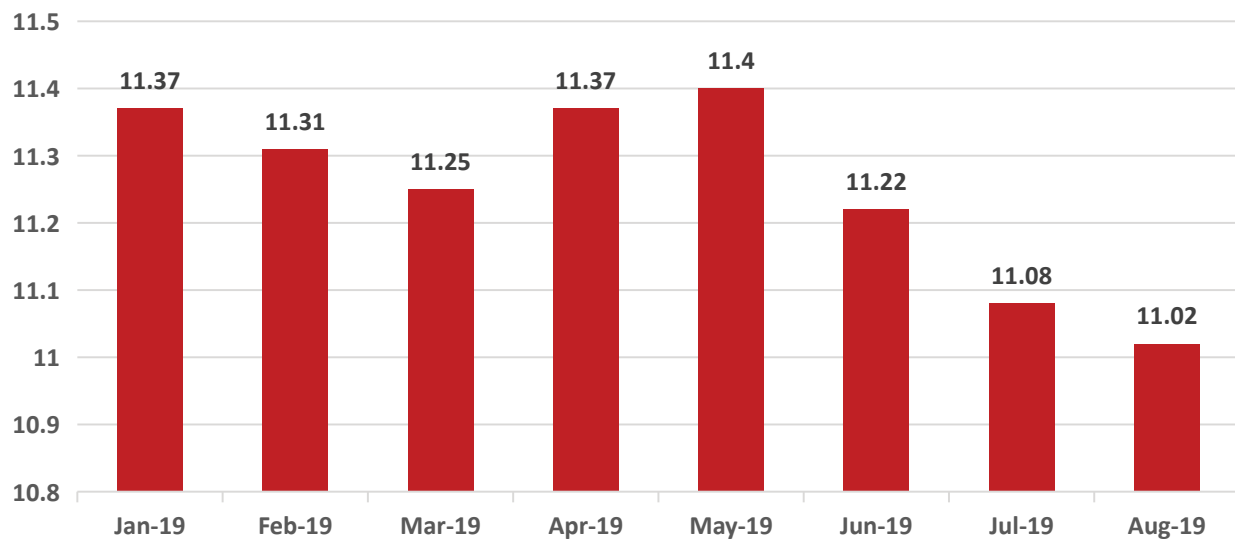
Inflation increased by 11.02% (year-on-year) in August 2019 compared to 11.08% in July and 11.22% in June.

The continued fall in inflation was partially as a result of harvesting and declining consumer disposable income. This is the 3rd consecutive monthly decline and the lowest level since February 2016.

This is the 3rd consecutive monthly decline and the lowest level since February 2016.

Decelerating inflation continued in August 2019 despite several pronouncements regarding restrictions on the import of some food items, minimum wage and the recent border closures. The impact of these restrictions was a spike in the prices of food items. The price of a 50kg bag of rice increased by almost 30% to N18,000 in August from N14,000 in

Figure 16: Inflation Rate (%) Jun 2018. - Aug. 2019



Source: NBS, SAMTL RESEARCH

July. It however curtailed smuggling of petrol and diesel, thus creating excess supply and driving down prices. The wholesale price of diesel fell by 3.15% to N215/liter.

It is expected that inflationary pressures will be re-ignited as a result of increased seasonal demand, the implementation of the minimum wage policy, adjustments in the exchange rate for computing custom duty to N326/$, and forex restriction for dairy products and general food imports.

Foreign Trade | Imports growth far outpaces exports growth

According to the National Bureau of statistics (NBS), Nigeria's total foreign trade (value of exports and imports) grew by 4.42% to N8.60 trillion in the second quarter (Q2) of 2019, from N8.24 trillion recorded in the previous quarter (Q1). Combined with the Q1 2019 performance, the value of total trade as at half year 2019 was 15.43% higher than for the same period in 2018.

The NBS noted that the performance of Nigeria's trade for Q2 was largely as a result of stronger growth in the value of imports far outpacing growth in the value of exports which rose only marginally.

The performance of Nigeria's trade for Q2 was largely as a result of stronger growth in the value of imports far outpacing growth in the value of exports

Exports

The value of total exports in Q2 2019 increased by 1.34% against the level recorded in Q1, 2019 and 2.06% when compared with its value in Q2, 2018.

Exports by sectors show that crude oil export accounted for almost 90% of Nigeria's total export in Q2 2019. Crude oil export in Q2 was estimated at N3.9 trillion, from N3.3 trillion recorded in Q1 2019.

The value of Agricultural exports in Q2 was 14.66% lower than in Q1 2019. In Q1 2019, Agricultural goods exports were estimated at N73 billion, as against N86 billion in Q2.

The value of Raw material exports was 14.52% lower than the value in Q1 2019 and 1.71% lower than in Q2 2018.

The value of Solid mineral exports declined by 15.53% compared to Q1 2019 and 62.27% against the corresponding quarter in 2018.

Also, the exports of Energy goods dropped by 12.31% in value compared to Q1 2019 and 15.15% when compared with Q2 2018.

Lastly, the value of manufactured exports decreased by 77.05% when compared with the value recorded in Q1 2019. In Q1 2019, Nigeria

exported N462 billion worth of goods, while the value dropped significantly to N462.2 billion in Q2.

Nigeria's Major Export Trading Partners in Q2 2019 were India (17.27%), Spain (11.97%), Netherlands (10.41%), United States (7.68%), and France (6.09%)

Imports

In Q2 2019, Nigeria's imports constituted 74.52% of manufactured goods. A total of N2.47 manufactured goods was imported into the country. Specifically, the value of imported manufactured goods decreased by 10.86% in Q2 2019 against the value recorded in Q1 2019.

The value of imported Agricultural products was 5.79% higher in Q2 2019. Basically, the country imported N249.9 billion worth of agricultural goods.

Also, the raw material was one of the major goods imported into the country in Q2 estimated N346.4 billion. In total, Nigeria's raw material imports grew 4.97% over the value recorded in Q1 2019.

Similarly, the value of Solid minerals imports was 63.46% higher than in Q1, 2019 and 68.34% higher than the value recorded in Q2 2018.

Lastly, the value of energy goods imports was 74.65% lower than in Q1, 2019.

Major Import Trading Partners in Q2 2019 were China (25.47%), United States (10.53%), Netherlands (9.33%), India (7.48%), and Belgium (6.21%).

These developments could limit the capital imports originating from these countries in subsequent quarters.

Capital Inflows & Outflows

Capital imports into Nigeria declined by 31.4% to $5.8bn in Q2 2019 from $8.49bn recorded in the previous quarter Q1 2019. Of the three components, Portfolio Investments accounted for the largest value of $4.29bn (73%) followed by Other Investments at $1.30bn (22.41% of total capital importation) and Foreign Direct Investment at $222.89mn (3.83%).

A further breakdown of the report showed that the largest source of capital investment into Nigeria was the United Kingdom ($3.13bn) followed by the United States ($1.15bn), the United Arab Emirates ($344mn) and South Africa ($314mn). Three of the top four countries are currently experiencing uncertainties.

The United Kingdom's Brexit plan still remains unclear, while the trade war and incidents of xenophobia in the US and South Africa respectively could

slow growth in both countries with ripple effects on the regional and global economy. These developments could limit the capital imports originating from these countries in subsequent quarters.

Monetary Policy | Status Quo maintained

The CBN Monetary Committee left all parameters unchanged in the quarter Q3 2019. The MPR remained at 13.50%; CRR at 22.5%; Liquidity Ratio at 30.00%; and Asymmetric Window at +200 and -500 basis points around the MPR.

Broad money supply grew by 1.36% to N28.27trn in July. In August, M2 growth was supported by an increase in the loan to deposit ratio (LDR), higher FAAC disbursement and net OMO inflows. FAAC allocation and net OMO bills amounted to N1.56trn (5.51% of broad money supply). In a bid to boost lending to the private sector, the CBN raised the LDR by 3% to 60% and reduced SDR to N2bn. This has compelled banks to increase lending, and do so at competitive rates.

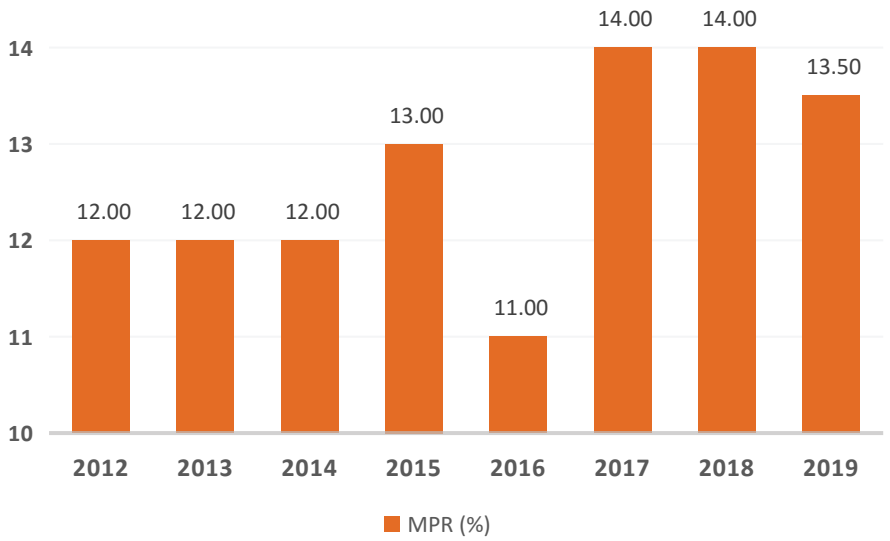
The CBN Monetary Committee left all parameters unchanged in the quarter Q3 2019.

A significant enough spike in inflation could make the MPC change its stance from the tight situation to further tightening in November.

Foreign Exchange Market | Naira remains Stable

The Nigerian forex market is segmented with multiple exchange rates. The most important rate is the Investors and Exporters window (IEFX). No less than 55%-60% of Nigerian forex transactions are traded on this window. The CBN and most exporters and investors use this window. It serves not only

Figure 17: Monetary Policy Rate (%) 2012 - 2019



Source: : CBN, SAMTL RESEARCH

as a source of price discovery but also a barometer for measuring potential and actual CBN intervention in the market. Some of the exchange rate determinants are balance of payments, capital inflows and trade balance.

At the parallel market, the naira temporarily appreciated against the dollar to N359/$ on August 2nd before retreating to close the period Q3 2019 at N360/$. The apex bank intervened with a total of $787.96mn in August, 35.04% lower than $1.21bn sold in the corresponding period in July. Whilst the currency strengthened against the pound to close the period Q3 2019 at N445/£, it traded within the band of N396-398/€ against the euro.

At the interbank market, the naira depreciated by 0.16% to close at N306.95/$ on September 2nd. In the same vein, the currency weakened by 0.14% to close at N362.73/$ at the IEFX window. Total forex traded increased to $6.87 billion compared to the total of $4.68 billion in the corresponding period in July.

The restriction of forex access for food imports coupled with demand pressures from the payment of tuition fees would weaken the Naira at the parallel market. However, the naira is expected to trade between N361-N363/$ at the parallel market in the coming weeks as the CBN continues to intervene in the forex market.

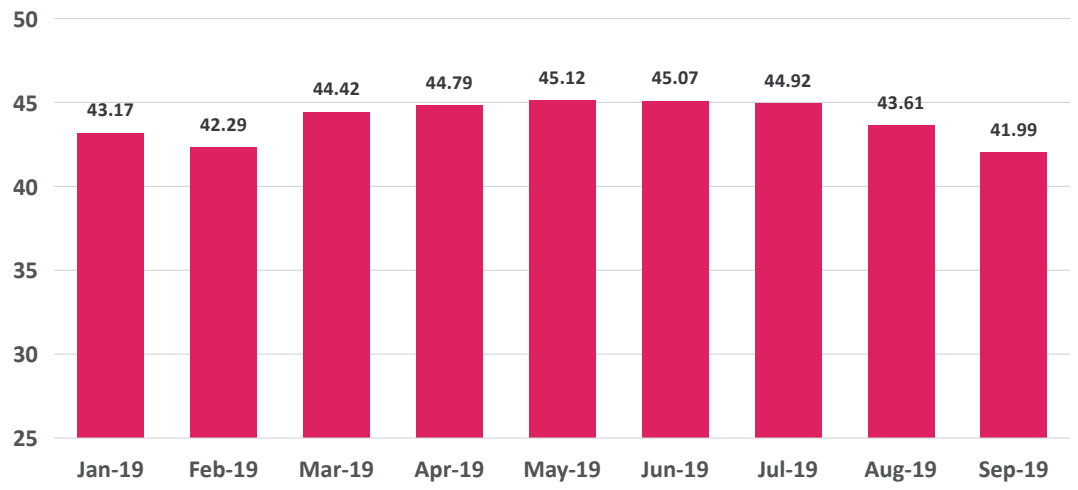
The naira is expected to trade between N361-N363/$ at the parallel market in the coming weeks.

A depreciation of the currency is negative for sectors such as manufacturing that depend mainly on imported inputs.

Foreign Reserve | External Reserves Slides

Nigeria's gross external reserves has continued its downward trend since the beginning of the review period. It declined by 3.39% to close the period Q2 2019 at $43.36bn compared to $44.88bn on August 1st. Subsequently,

Figure 18: Foreign Reserves ($'bn) Jan 2019. - Sept 2019.



Source: NBS, AAML RESEARCH

Nigeria's import cover has dropped to 10.80 months from 11.17 months on August 1.

The expectation of the CBN to intervene in the foreign exchange market to defend the currency from demand pressures would negatively affect the external reserves. Therefore, Nigeria's external reserve may decline further to between 42-43 billion dollars.

A decrease in the level of external reserves will affect the CBN's ability to intervene with the currency, which will reduce the country's buffers against negative external shocks.

FAAC

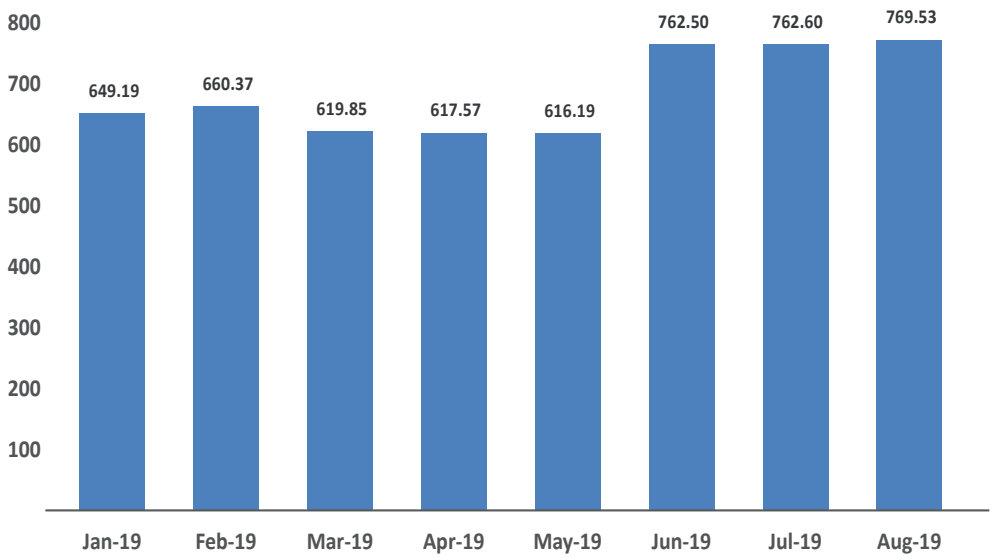
The Federation Account Allocation Committee (FAAC) disbursed the sum of N769.53bn to the three tiers of government in August 2019 from the revenue generated in July 2019. The amount disbursed comprised of N607.37bn from the Statutory Account, N94.16bn from Valued Added Tax (VAT) and N999.99m exchange gain differences.

Federal Government received a total of N299.80bn from the N769.53bn. States received a total of N190.38bn and Local Governments received N143.57bn. The sum of N51.63bn was shared among the oil producing states as 13% derivation fund. Revenue generating agencies such as Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS) and Department of Petroleum Resources (DPR) received N5.70bn, N11.14bn and N5.02bn respectively as cost of revenue collections.

The Federation Account Allocation Committee (FAAC) disbursed the sum of N769.53bn to the three tiers of government in August 2019.

Further breakdown of revenue allocation distribution to the Federal Government of Nigeria (FGN) revealed that the sum of N241.81bn was disbursed to the FGN consolidated revenue account; N5.43bn shared as

Figure 19: FAAC (N'BN) Jan 2019- Aug 2019



Source: NBS

share of derivation and ecology; N2.72bn as stabilization fund; N9.13bn for the development of natural resources; and N6.30bn to the Federal Capital Territory (FCT) Abuja.

The Federation Account Allocation Committee (FAAC) disbursed the sum of N762.6bn to the three tiers of government in July 2019 from the revenue generated in June 2019. The amount disbursed comprised of N652.95bn from the Statutory Account, N108.63bn from Valued Added Tax (VAT) and N1.02bn exchange gain differences.

Federal Government received a total of N309.43bn from the N762.60bn. States received a total of N201.16bn and Local Governments received N151.38bn. The sum of N38.70bn was shared among the oil producing states as 13% derivation fund.

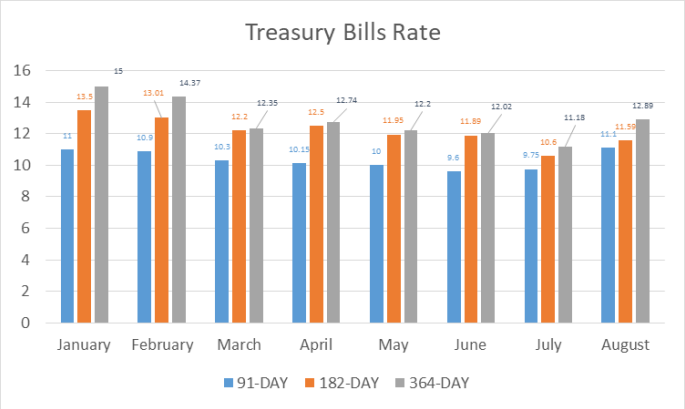
Increase in FAAC in the last quarter can be attributed to higher gross statutory revenue and excess crude account now at standing at $274.41 million. Nonetheless, FAAC is projected to decline in subsequent months due to lower oil revenue, and the FGN's committee set up to recover the N614bn bailout funds given to states.

Money Market | Increased market illiquidity

Average liquidity within the banking system in August was N92.45bn, 71.67% lower than the average of N326.38bn recorded in the corresponding period in July. Within the review period, the market witnessed five consecutive days of negative opening position. The decline in liquidity within the money market could be partly due to the CBN's regulatory measures deadline of September 30.

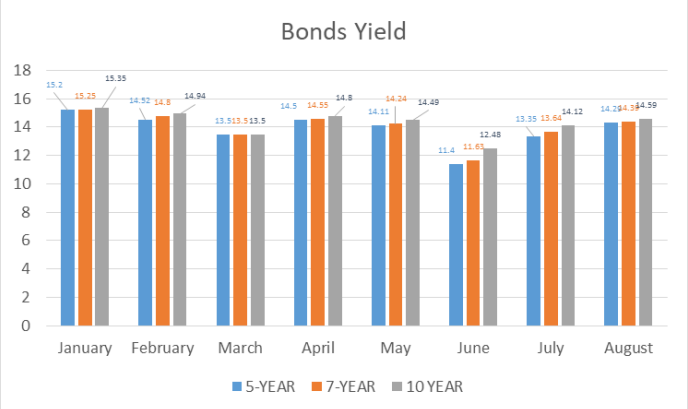
In response to the illiquidity, the NIBOR (OBB/ON) rates leaped up to a 4-month high of 28.29% pa and 30.29%pa respectively on August 19, before retreating to close the period at 8.86%pa and 9.86% pa respectively on September 2nd.

Figure 20: Treasury Bills Rate Jan. - August 2019.



Source: CBN

Figure 21: Bonds Yield Jan. - August 2019.



At the secondary market, all the yields moved in the same direction at an average of 314.33ps while at the primary market, they moved in different directions. The 91-day tenor declined by 5bps while the yields for the 91-day and 364-day tenors inched up by 78.5bps. The Nigerian Inter-Bank Treasury True Yield (NITTY) rates increased across all the three tenors by an average of 342.67bps.

There is likely to be illiquidity in the banking system as the Central Bank of Nigeria (CBN) ordered banks to give out a minimum of 60% of their deposits as loans by September 30, 2019. Therefore, this puts pressure on banks to meet up with this goal in order to refrain from facing sanctions.

Equities Market | Poor performance continues

The NSEASI ended Q3 2019 in the negative territory with -7.80% loss as against -3.46% loss in Q2 2019 and -1.24% loss in Q1 2019.

The Nigerian Stock Market closed the month of September 2019 in the positive territory as market halts the negative sentiment witnessed in the last three months. The NSEASI inched up by +0.38% to close at 27,630.56 points as against -0.69% loss recorded in the month of August 2019.

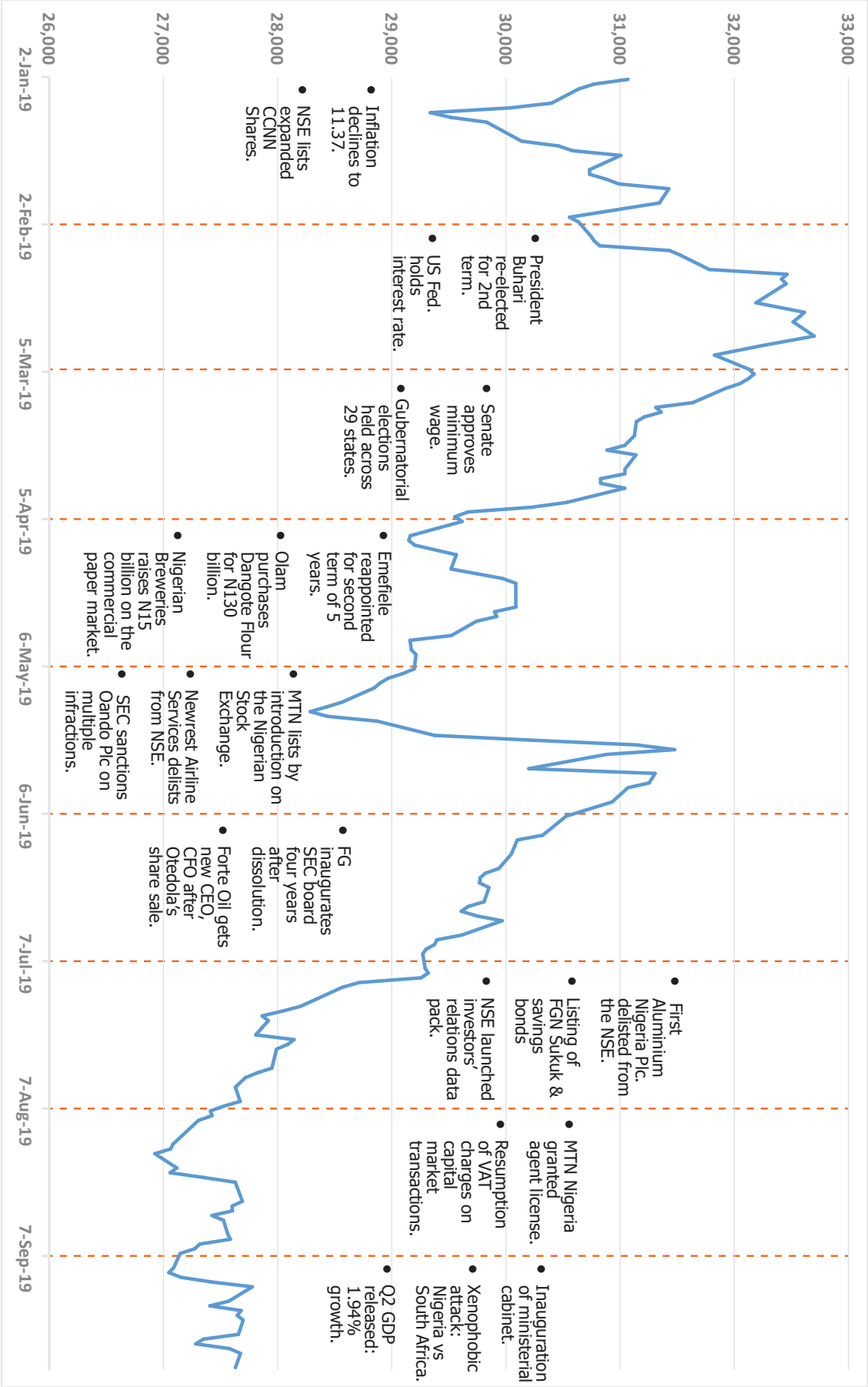
The continued poor performance in third quarter despite the marginal gain of 0.38% in September, was attributed to post-election uncertainties that continue to trail the economy, as well as the weak Q2 corporate earnings, lack of economic direction, with government delaying the reconstitution of the Federal Executive Council, among others. There was also the effect of the gloomy global economic outlook.

The NSEASI ended Q3 2019 in the negative territory with -7.80% loss as against -3.46% loss in Q2 2019 and -1.24% loss in Q1 2019.

The marginal rebound in September, may also be connected with the low price attraction of most stocks, ahead of their year-end score-card, a situation that has gradually triggered demand for blue-chip stocks now selling at considerable discount to Book Value.

Topping the sectoral index movement table for the period was the NSE Oil/Gas, which rose by 20.63%, thereby outperforming the overall market's All Share index that closed high at 0.38%, followed by the 8.56% gain by NSE Insurance; even as the NSE Consumer goods and NSE Banking could only rise by 7.85% and 7.10% respectively.

Market fundamentals are expected to change in the last quarter of the year. The recent rate cut in developed economies and markets, may likely redirect the flow of funds to emerging market like Nigeria, even as implementation of the 60% minimum Loans-Deposits ratio by the deposit money banks, implementation of the 2019 capital budget and end of year activities could give the market the needed liquidity boost. This is expected to impact equity prices because the market indices in Q4 have always risen by 1.8% on the average over the past 22 years.


NSI ASI JAN. - SEPT. 2019
33,000
32,000
31,000
30,000
29,000
28,000
27,000
26,000
2-Jan-19
2-Feb-19
5-Mar-19
5-Apr-19
6-May-19
6-Jun-19
7-Jul-19
7-Aug-19
7-Sep-19
President Buhari re-elected for 2nd term.
US Fed. holds interest rate.
Senate approves minimum wage.
Gubernatorial elections held across 29 states.
Inflation declines to 11.37.
NSE lists expanded CCNN Shares.
Emefiele reappointed for second term of 5 years.
Olam purchases Dangote Flour for N130 billion.
Nigerian Breweries raises N15 billion on the commercial paper market.
MTN lists by introduction on the Nigerian Stock Exchange.
Newrest Airline Services delists from NSE.
SEC sanctions Oando Plc on multiple infractions.
FG inaugurates SEC board four years after dissolution.
Forte Oil gets new CEO, CFO after Otedola's share sale.
First Aluminium Nigeria Plc. delisted from the NSE.
Listing of FGN Sukuk & savings bonds
NSE launched investors' relations data pack.
MTN Nigeria granted agent license.
Resumption of VAT charges on capital market transactions.
Inauguration of ministerial cabinet.
Xenophobic attack: Nigeria vs South Africa.
Q2 GDP released: 1.94% growth.

Trustees

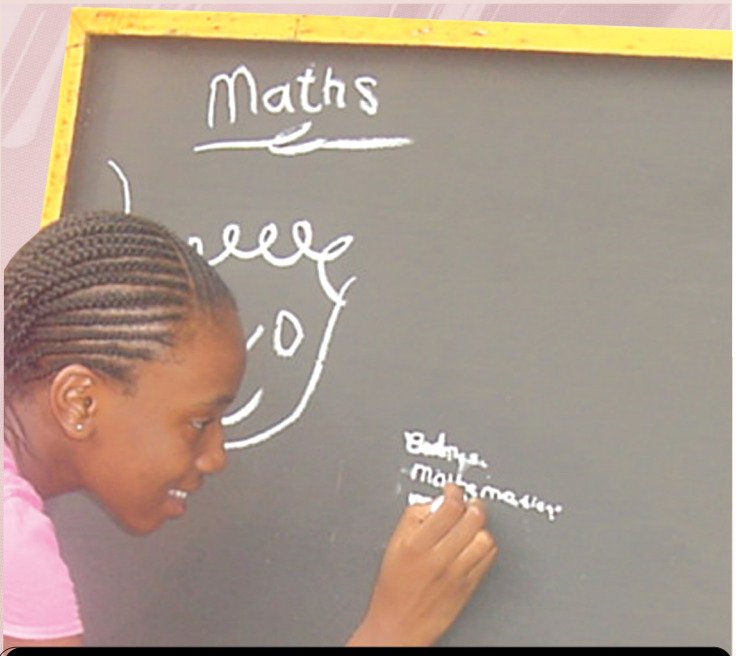
2

Sket

SAMTL KIDS EDUCATION TRUST

This product is designed to help you set aside funds on a gradual or lump sum basis for the education of your children. Such funds are invested on behalf of the named beneficiaries Tuition other incidentals are paid in line with your express instructions at the appropriate time. The residue upon the completion of the Education of the beneficiaries is disbursed in line with your express instruction as well. The product is backed up with Trust Deed.

It is a unique product in that it is documented in a Trust Deed in which your wishes towards your children are stated



If you secure your children's education, you have secured their future

FEATURES:

- Minimum start up contribution of N50,000
- Minimum monthly contribution of N10 000
- Attractive interest rates
- Minimum tenor of five years
- The trust survives your death in any event.
- The trust will be administered strictly in accordance with your wishes in any event and thereof incapable of being abused or mismanaged by relations or other personal representatives.
- Sket will be administered by SAMTL and managed with Professionalism, strict confidentiality and accountability.
- The first 20 account holders with the largest turn over will be given educational gift items yearly
- No management fee charge.
- Backed by Insurance cover.

SAMTL | GROUP

STERLING ASSET MANAGEMENT & TRUSTEES LTD.

HEAD OFFICE:
Plot 62, Adetokunbo Ademola Street,
Victoria Island, Lagos.
Tel: 01- 2707352, 01- 2771292-6

ABUJA:
Plot 17, Sheda Close,
700, Tafawa Balewa Close, Area 8,
Garki, Abuja.
Tel: 08116730947, 08092236770,
07035577560.

PORT HARCOURT:
59, Trans Amadi Industrial Layout,
Port Harcourt, Rivers-State
Tel: 08034948610, 08033295014.

An SMP production 08023140267, 08023140262.

Trustees

TRUST BUSINESS IN NIGERIA

Trust companies in Nigeria are regulated by the Securities and Exchange Commission (SEC) and only corporate bodies can be licensed as Trustees. We have over Twenty (20) Trust Companies in Nigeria and the Trust business in Nigeria is gradually developing. Government and business owners are beginning to understand the role of trustees and how cardinal the involvement and participation of trustees is in structuring and managing debt capital and Bank credit transactions. Comparatively, corporate trustees in Nigeria have come a long way from the previous situation where they used to be regarded as fringe players in transactions to playing a more central role in transactions. This however does not apply to private trusts where the awareness of the importance of trustees is still at rudimentary stages even amongst more sophisticated individuals. As earlier pointed out, efforts are being made at industry level to continue to increase the awareness of the importance of the role of corporate trustees in the country.

Trusteeship in Nigeria can be broadly categorized into Corporate Trusteeship and Private & Public Trust.

Corporate Trusteeship

Under Corporate Trusteeship, we have the Bond, Debentures and Mutual Funds.

The role of Trustees in business varies based on the structure of a transaction and it cuts across several types of business transactions. Trustees play critical roles in bonds and debt issues- we represent the interest of the bond holders and where there is a sinking fund, we manage same for the purpose of paying the investors their coupons and principal investment as and when due. Trustees represent the interest of unit holders in collective investment schemes and also ensure that the fund managers involved comply with the terms of the scheme.

For Debenture Trust, Syndications and Consortium lending- Trustees hold the security pledged for loans/facilities to ensure repayment by the borrower(s).

A mutual fund is an investment vehicle made up of a pool of moneys collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets. Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds and other securities. Here, Trustees act in the interest of the investors and are their representatives.

Private Trusteeship

Private Trusteeship in Nigeria comprises of Estate Planning, Inter Vivos Trust, Testamentary Trust as well as Products and Services.

In estate planning, trustees hold assets and manage same for the benefit of third parties. Trustees also act as executors either alone or jointly with others to administer the estate of the testator (where the deceased made a will) or act as Administrators of the Estate where the deceased died intestate.

In Real Estate/Construction/Project Finance, trustees also act as intermediaries to ensure that the terms of the necessary agreements are kept while they hold title to the property on behalf of the all stakeholders to ensure that there is a seamless transfer of the asset to the ultimate off-takers. Trustees also provide comfort to Financiers of real estate transactions.

Inter Vivos or Living Trust is a type of trust established during the lifetime of the trustor. Here, Trustees manage and administer the Trustor's assets or estate(s) during his lifetime and will continue to manage same upon his death until it is passed on to the beneficiary.

Testamentary/Will Trust is a trust created in an individual's will. A will can only become effective upon the death of the Testator, thus, a testamentary trust is generally created at or following the date of the settlor's death.

Trust is a very flexible concept that can be used in several business transactions some of the popular Trust Schemes in Nigeria are:

- Bond Transactions
- Corporate Bonds
- Debentures
- Mutual Fund
- Corporate Bonds
- Estate Planning
- REITS
- Living Trust
- Educational Trust

Some emerging opportunities in the Trust Businesses are:

- Business Developers
- Shareholding/Nominees Trusts
- Banking Licence
- Dredging Business
- Diaspora Trust
- Funds raising
- Product Creation

- Foundations/Endowments
- Bond transaction (Inspectorate Trustees)

Trusts in Nigeria can be utilized to achieve one or more of the following objectives:

- Strategic Objectives: allows the individual (Settlor) to designate who to control certain investments and assets.
- Efficient Management: enables holding of all assets and investments of a family and allows the individual, his or her family members and professional managers to manage the investments and assets. All the assets of an individual may be consolidated for ease of administration and accounting under one roof.
- Expertise: facilitates use of professional services from experienced managers, investment advisors and trustees.
- Succession planning: to plan the continuity and next generation of managers for a business.
- Charity: to carry out charitable objectives and benefit favored causes.
- Preservation: for families to build family governance, long-term business continuity, and ensure future beneficiaries receive benefits according to a flexible distribution arrangement, e.g. via family trusts.
- Preparation for exigencies: to provide for advanced age, ill health and disability, emergency situations, and reduce one's family's reliance on costly and time consuming probate/letters of administration applications.
- Distribution: transfer of the benefit of investments and assets to beneficiaries confidentially in such proportions and at such times and to such persons as the individual wishes.
- Minimize tax payments and avoid the bureaucracy of probate.

Conclusion

Creation of a trust is not only a convenient and seamless mode of transferring assets or one's estate to a beneficiary, it is also a useful to avoid probate and its attendant cost (i.e. Inheritance Tax)

A trust is a legal technique of asset protection which guarantees and ensures that the Trustor's assets are distributed according to his instructions or as contained in the Trust instrument.

At SAMTL, we have an array of products that can be tailored to achieve specific client objectives, some of which are listed below.

Trust Scheme Options Available in SAMTL

- SAMTL Optimal Retirement Trust
- SAMTL Kids Investment Trust
- SAMTL Kids Education Trust
- SAMTL High Yield Trust Account
- Private Trust
- Public/ Charitable Trust

SOURCES

Companies and Allied Matters Act, 1990 [CAP. C20 L.F.N. 2004]

Investment and Securities Act, 2007

Securities and Exchange Commission Consolidated Rules, 2013 [SEC Consolidated Rules], 2013

Securities and Exchange Commission Consolidated Rules, 2013 - Code of Conduct for Trustees [SEC New Rules, April 2015; Updated 2017]

Article (Trusteeship – An Overview by Monro Wright & Wasbrough LLP Solicitors August 2014) - http://www.mww-llp.com/wp-content/uploads/2014/09/Trusteeship-an-overview-FINAL.pdf

Breaking Down 'Trust' - https://www.investopedia.com/terms/t/trust.asp

FindLaw.com "Types of Trust" - http://estate.findlaw.com/trusts/types-of-trusts.html

Ekundayo: The Business of Trusteeship Needs a Complete Overhaul March 29, 2017 - https://www.thisdaylive.com/index.

php/2017/03/29/ekundayo-the-business-of-trusteeship-needs-a-complete-overhaul/

"Mutual Fund" - https://www.investopedia.com/terms/m/mutualfund.asp

A presentation on "Business Development and Marketing of Trust Services" by Yinka Adegbola, CEO of Apel Capital & Trust Limited at a Seminar organized by the Association of Investment Advisers and Portfolio Managers on Real Estate Finance and Investment Mechanics on the 19th and 20th of September, 2017.

For more enquiry please call the Trustee Desk:

Tomi – 07037231064

Adetoun - 08060711787

Or you can contact us by sending a mail to info@samtlng.com or customercare@sterlingassetng.com to discuss and determine your needs and the appropriate trust structure for you and your estate.

Skit

SAMTL KIDS INVESTMENT TRUST

Skit up your kids for success

Laying a financial foundation for your children's future can take the weight off the mind. Skit is designed to help set aside funds on a gradual basis to assist parents in building wealth for their children

FEATURES:

- Minimum Start up contribution of N50,000
- Minimum monthly contribution of N10, 000
- The account will be strictly for investment in diversified portfolio
- Guarantee return of 13% per annum subject to money market conditions
- The account will be personalized in the name of the child
- The portfolio shall be transferred to the beneficiary at the maturity age of 18 years.
- Effective management of the dividend account/other portfolio on behalf of the child
- No management fee
- Backed by an insurance cover

RETURNS AT A GLANCE

Initial deposit ofN50,000 plus N10,000 monthly contribution for a period of 5, 10, & 25 years at a glance

TENOR	INTEREST RATE	CONTRIBUTION FOR THE TENOR	ACCRUED INTEREST FOR THE TENOR	TOTAL PRINCIPAL + INTEREST
5 Years	13%	N640,000	N283, 525.54	N923, 525.54
10 Years	13%	N1,240,000	N1,372,495.46	N2,612,495.46
20 Years	13%	N2,440,000	N9,554,017.69	N11,994,017.69

SAMTL GROUP

STERLING ASSET MANAGEMENT & TRUSTEES LTD.

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07035577560.

PORT HARCOURT:
59, Trans Amadi Industrial Layout,
Port Harcourt, Rivers-State
Tel: 08034948610, 08033295014.

An SMP production 08023140267, 08023140262.

COMPANIES ANALYSIS

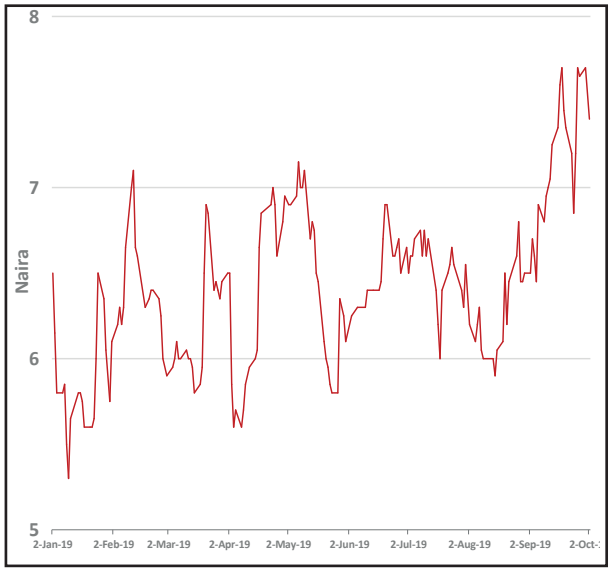
3

ZENITH BANK PLC.

Focus on retail segment to drive growth

- Zenith Bank plc is one of the biggest and most profitable bank in Nigeria with a shareholder base of over one million.
- Gross earnings grew by 2.9% to ₦331.6billion in H1 2019. Profit before tax grew by 4.0% to ₦111.7 billion, and Profit after tax grew by 8.7% to ₦88.9 billion in H1 2019.
- The bank is gunning for the retail segment of the market and its current strategy has begun yielding fruits.
- We forecast Gross Earnings to grow by 4.80% to ₦497.4 billion in Q3 2019. PBT and PAT to grow by 0.12% and -7.53% to ₦167.5 billion and ₦133.3 billion respectively.

Price Movement Performance Jan. - Sept. 2019



MARKET DATA	
Price as at Sept. 30, 2019 (₦)	18.70
12 Month Target Price	25.00
52 Weeks High	26.85
52 Weeks Low	16.00
Market Cap. (N'Bn)	572.99
Outstanding Shares (Bn)	31.40
30 Day Avg Volume	15,985,590.00

VALUATION	
EPS (₦)	6.08
PE (x)	3.00
P/BV (x)	0.70
Dividend FY2018 (₦)	2.8
Forecast Dividend FY2019(₦)	2.84
Dividend Yield FY2018 (%)	14.97

RATIO(%)	2017	2018	2019F
RoAA	3.11	3.25	2.61
RoAE	21.40	23.71	19.56
NIM	11.46	14.66	14.00
Loan to Deposit Ratio	65.51	54.64	48.81
PAT/Gross Earnings	23.32	30.69	26.81

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Gross Earnings	497,379.00	474,607.00	4.80
Interest Income	321,901.50	339,063.00	(5.06)
Interest Expense	(108,129.00)	(110,546.00)	(2.19)
PBT	167,515.50	167,307.00	0.12
PAT	133,323.00	144,179.00	(7.53)
Total Asset	6,805,056.74	5,617,785.00	21.13
Shareholders Fund	908,896.72	776,394.00	17.07

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Gross Earnings	432,535.00	507,997.00	745,189.00	630,344.00	663,172.00
Interest Income	348,179.00	384,557.00	474,628.00	440,052.00	429,202.00
Interest Expense	(123,597.00)	(144,378.00)	(216,637.00)	(144,458.00)	(144,172.00)
Net interest income	224,582.00	240,179.00	257,991.00	295,594.00	285,030.00
Operating expenses	(89,928.00)	(94,365.00)	(223,411.00)	(225,500.00)	(253,666.00)
Profit Before Tax	125,616.00	156,748.00	199,319.00	231,685.00	223,354.00
Profit after tax	105,663.00	129,652.00	173,791.00	193,424.00	177,764.00
Total Asset	4,006,842.00	4,739,825.00	5,595,253.00	5,955,710.00	6,805,056.74
Loans and Advances	1,989,313.00	2,289,365.00	2,252,172.00	2,016,520.00	2,036,653.45
Customer Deposit	2,557,884.00	2,983,621.00	3,437,915.00	3,690,295.00	4,172,634.39
Shareholders' Fund	594,353.00	704,465.00	812,116.00	815,751.00	908,896.72

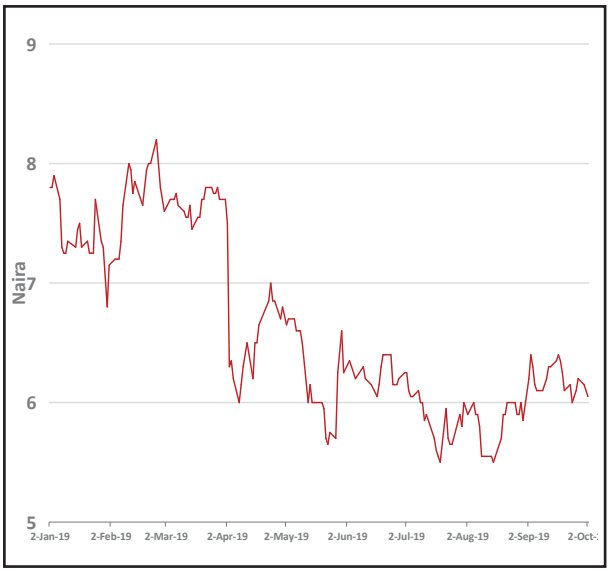
Source: Company report

UBA PLC.

Substantial operational efficiencies and best-in-class customer service, to boost earnings.

- United Bank for Africa (UBA)Plc. is a leading pan-African financial services group headquartred in Nigeria with operations in 20 African countries and 3 global financial centers.
- Gross earnings improved by 13.9% to ₦294 billion in H1 2019. Profit before tax grew by 20.9% to ₦70.3 billion, and Profit after tax grew by 29.6% to ₦43.8 billion in H1 2019.
- We forecast Gross Earnings and interest income to grow by 63.81% and 14.27% to ₦440.6 billion and ₦30 7.3 billion respectively in Q3 2019. PBT and PAT to grow by 33.24% and 37.94% to ₦105.4 billion and ₦85.1billion respectively in Q3 2019.

Price Movement Performance Jan. - Sept. 2019



MARKET DATA	
Price as at Sept. 30, 2019 (₦)	6.15
12 Month Target Price	9.24
52 Weeks High	8.4
52 Weeks Low	5.4
Market Cap. (N'Bn)	206.91
Outstanding Shares (Bn)	34.20
30 Day Avg Volume	11,504,750.00

VALUATION	
EPS (₦)	2.35
PE (x)	2.63
P/BV (x)	0.4065
Dividend FY2018 (₦)	0.85
Forecast Dividend FY2019(₦)	0.94
Dividend Yield FY2018 (%)	13.82

RATIO(%)	2017	2018	2019F
RoAA	1.91	1.61	1.93
RoAE	14.69	15.64	19.48
NIM	12.58	11.99	10.72
Loan to Deposit Ratio	60.37	51.22	52.21
PAT/Gross Earnings	16.80	15.91	19.32

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Gross Earnings	440,550.00	268,937.00	63.81
Interest Income	307,327.50	268,937.00	14.27
Interest Expense	(142,143.00)	(118,239.00)	20.22
PBT	105,411.00	79,111.00	33.24
PAT	85,108.50	61,698.00	37.94
Total Asset	5,894,027.54	4,507,166.00	30.77
Shareholders Fund	582,571.28	509,286.00	14.39

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Gross Earnings	314,830.00	383,647.00	461,557.00	494,010.00	587,400.00
Interest Income	233,969.00	263,970.00	325,657.00	362,922.00	409,770.00
Interest Expenses	(96,030.00)	(98,770.00)	(118,025.00)	(157,276.00)	(189,524.00)
Net interest income	137,939.00	165,200.00	207,632.00	205,646.00	220,246.00
Operating expenses	(136,640.00)	(152,501.00)	(188,610.00)	(197,342.00)	(127,194.00)
Profit Before Tax	68,454.00	90,642.00	104,222.00	106,766.00	140,548.00
Profit after tax	59,654.00	72,264.00	77,548.00	78,607.00	113,478.00
Total Asset	2,752,622.00	3,504,470.00	4,069,474.00	4,869,738.00	5,894,027.54
Loans and Advances	1,036,637.00	1,528,084.00	1,650,000.00	1,715,285.00	2,054,584.63
Customer Deposit	2,081,704.00	2,594,690.00	2,733,348.00	3,349,120.00	3,935,379.41
Shareholders' Fund	332,621.00	448,069.00	527,779.00	502,608.00	582,571.28

Source: Company report

GTBANK PLC.

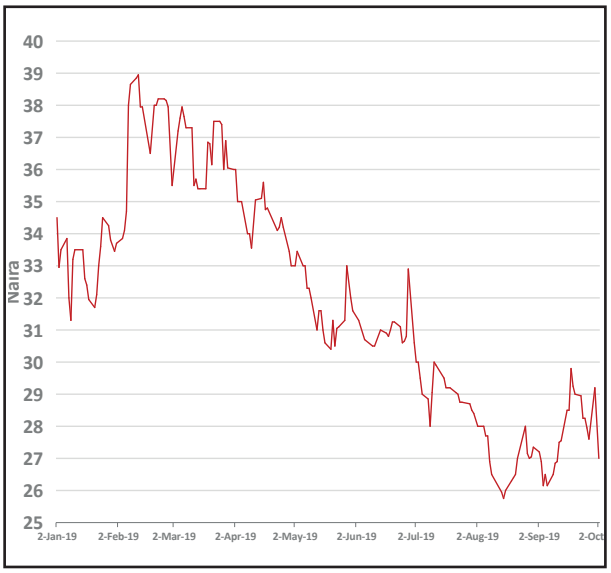
Cost optimization strategies to continue to drive growth.

- Guaranty Trust Bank plc is a foremost Financial Institution with business outlays spanning Anglophone and Francophone West Africa, East Africa and Europe.
- We forecast Gross Earnings to decline by -1.46% to ₦332.8 billion in Q3 2019. PBT and PAT to grow by 5.74% and 4.55% to ₦173.7 billion and ₦148.7 billion respectively in Q3 2019.

MARKET DATA	
Price as at Sept. 30, 2019 (₦)	29.20
Fair Value	34.00
52 Weeks High	39.15
52 Weeks Low	25.7
Market Cap. (N'Bn)	794.64
Outstanding Shares (Bn)	29.43
30 Day Avg Volume	31,426,670.00

VALUATION	
EPS (₦)	6.66
PE (x)	4.06
P/BV (x)	1.35
Dividend FY2018 (₦)	2.45
Forecast Dividend FY2019(₦)	2.90
Dividend Yield FY2018 (%)	8.39

Price Movement Performance Jan.- Sept. 2019



RATIO(%)	2017	2018	2019F
ROAE	5.20	5.62	5.50
ROAA	30.00	30.90	30.60
NIM	10.40	9.20	18.81
Loan to Deposit Ratio	67.50	53.50	48.37
PAT/Gross Earnings	40.05	42.48	44.68

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Gross Earnings	332,803.50	337,720.00	(1.46)
Interest Income	219,673.50	267,545.00	(17.89)
Interest Expense	(48,942.00)	(66,903.00)	(26.85)
PBT	173,680.50	164,246.00	5.74
PAT	148,699.50	142,224.00	4.55
Total Asset	3,605,888.10	3,433,197.00	5.03
Shareholders Fund	647,871.26	534,296.00	21.26

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Gross Earnings	301,851.00	414,616.00	419,226.00	434,699.00	443,738.00
Interest Income	229,237.00	262,494.01	327,333.00	306,963.00	292,898.00
Interest Expenses	(69,290.00)	(67,093.92)	(80,670.00)	(84,530.00)	(65,256.00)
Net interest income	159,947.00	195,400.18	246,663.00	222,433.00	232,728.00
Operating expenses	(54,937.15)	(67,560.58)	(123,300.00)	(127,128.00)	(139,740.00)
Profit Before Tax	120,695.00	165,136.00	197,685.00	215,587.00	231,574.00
Profit after tax	99,437.00	132,281.00	167,913.00	184,640.00	198,266.00
Total Asset	2,524,594.00	3,116,393.00	3,351,097.00	3,287,343.00	3,605,888.10
Loans and Advances	1,371,926.00	1,589,430.00	1,449,283.00	1,261,965.00	1,237,195.17
Customer Deposit	1,610,350.00	1,986,246.00	2,062,000.00	2,273,903.00	2,557,633.10
Shareholders' Fund	413,562.00	504,903.00	619,401.00	575,567.00	647,871.26

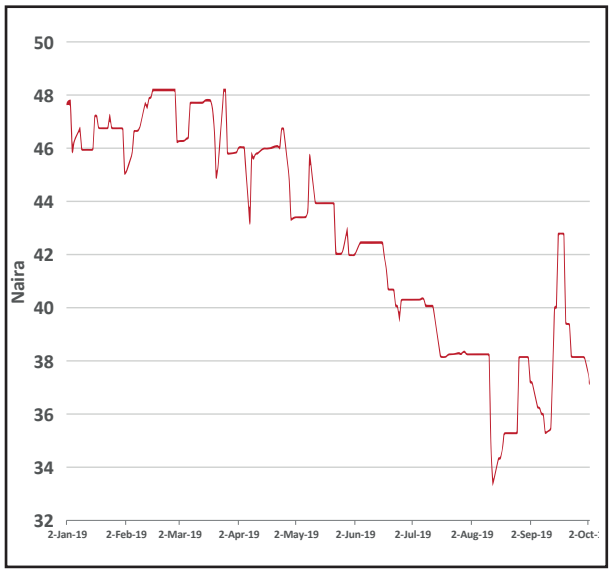
Source: Company report

STANBIC IBTC BANK PLC.

Disciplined execution of digital strategy to drive performance.

- Stanbic IBTC is one of the leaders in the Nigerian banking sector.
- Gross earnings improved by 3% to ₦117.4 billion while Profit after tax fell by 16% to ₦36.2 billionin H1 2019. The Group announced an interim dividend of 100 kobo.
- We forecast Gross Earnings and interest income to grow by 4.30% and 3.74% to ₦176 billio and ₦91.2 billion respectively in Q3 2019. PBT and PAT to decline by 4.84% and 9.02% to ₦66.98 billion and ₦54.37 billion respectively.

Price Movement Performance Jan. - Sept. 2019.



MARKET DATA	
Price as at Sept. 30, 2019 (₦)	38.00
12 Month Target Price	35.89
52 Weeks High	53.25
52 Weeks Low	33.00
Market Cap. (N'Bn)	397.99
Outstanding Shares (Bn)	10.47
30 Day Avg Volume	1,831,715.00

VALUATION	
EPS (₦)	6.35
PE(x)	5.98
P/BV(x)	1.50
Dividend FY2018 (₦)	2.50
Forecast Dividend FY2019(₦)	2.44
Dividend Yield FY2018 (%)	6.58

RATIO(%)	2017	2018	2019F
RoAA	3.49	4.47	3.59
RoAE	26.12	31.06	24.52
NIM	21.90	17.72	16.52
Loan to Deposit Ratio	50.65	54.63	49.77
PAT/Gross Earnings	22.77	33.48	30.88

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Gross Earnings	176,061.00	168,801.00	4.30
Interest Income	91,176.00	87,888.00	3.74
Interest Expense	(32,211.00)	(29,445.00)	9.39
PBT	66,975.00	70,380.00	(4.84)
PAT	54,367.50	59,757.00	(9.02)
Total Asset	2,018,372.58	1,543,921.00	30.73
Shareholders Fund	295,684.89	218,657.00	35.23

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Gross Earnings	140,027.00	156,425.00	212,434.00	222,360.00	234,748.00
Interest Income	82,686.00	87,467.00	122,911.00	118,382.00	121,568.00
Interest Expenses	(38,826.00)	(29,608.00)	(39,324.00)	(40,173.00)	(42,948.00)
Net interest income	43,860.00	57,859.00	83,587.00	78,209.00	78,620.00
Operating expenses	(62,066.00)	(69,041.00)	(86,026.00)	(95,601.00)	(60,368.00)
Profit Before Tax	23,651.00	37,209.00	61,166.00	88,152.00	89,300.00
Profit after tax	18,891.00	28,520.00	48,381.00	74,440.00	72,490.00
Total Asset	937,564.00	1,053,523.00	1,386,416.00	1,663,661.00	2,018,372.58
Loans and Advances	353,513.00	352,965.00	381,711.00	441,261.00	475,958.74
Customer Deposit	493,513.00	560,969.00	753,642.00	807,692.00	956,271.89
Shareholders' Fund	128,967.00	140,798.00	185,218.00	239,667.00	295,684.89

Source: Company report

ACCESS BANK PLC.

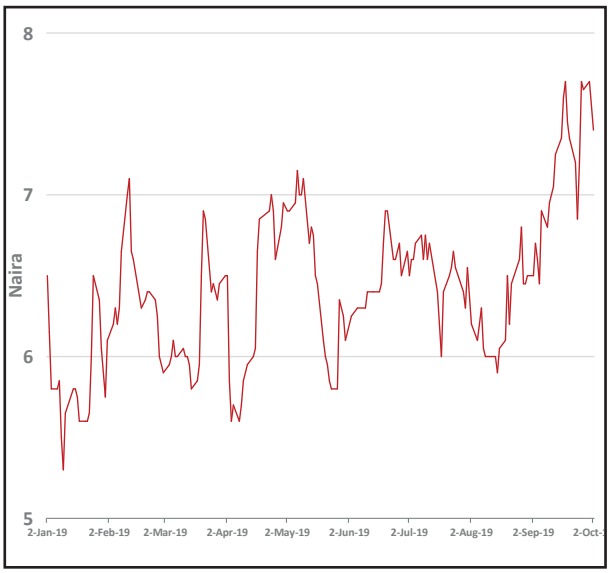
Synergy Realization

- Gross earnings grew 28% to ₦324.4bn in the period H1 2019 (H1'18: ₦253.0bn), comprising 84% in interest income and 16% in noninterest income.
- PBT and PAT grew by 62% and 59% to N74bn and N63bn respectively.
- We forecast Gross Earnings and interest income to grow by 29.79% and 50.77% to ₦486.6 billion and ₦409.3 billion respectively in Q3 2019. PBT and PAT to grow by 58.21% and 50.27% to ₦111.1 billion and ₦94.5 billion respectively.

MARKET DATA	
Price as at Sept. 30, 2019 (₦)	7.70
12 Month Target Price (₦)	11.61
52 Weeks High (₦)	8.85
52 Weeks Low (₦)	5.20
Market Cap. (N'Bn)	259.48
Outstanding Shares (Bn)	35.55
30 Day Avg Volume	32,698,390.00

VALUATION	
EPS (₦)	3.93
PE(x)	1.86
P/BV(x)	0.44
Dividend FY2018 (₦)	0.5
Forecast Dividend FY2019(₦)	0.55
Dividend Yield FY2018 (%)	6.49

Price Movement Performance Jan.- Sept. 2019



RATIO(%)	2017	2018	2019F
RoAA	1.51	1.92	2.05
RoAE	13.20	19.36	23.27
NIM	7.92	8.13	22.13
Total Asset	91.94	83.28	83.43
Shareholders Fund	13.50	17.96	19.43

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Gross Earnings	486,564.00	374,900.00	29.79
Interest Income	409,342.50	271,497.00	50.77
Interest Expense	(176,625.00)	(151,547.00)	16.55
PBT	111,174.00	70,268.00	58.21
PAT	94,537.50	62,911.00	50.27
Total Asset	6,159,007.93	4,552,961.00	35.27
Shareholders Fund	541,766.60	472,683.00	14.62

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Gross Earnings	337,404.12	381,320.78	459,076.00	528,745.00	648,752.00
Interest Income	207,802.77	247,286.64	319,854.00	380,914.00	545,790.00
Interest Expenses	(102,421.12)	(108,138.88)	(158,551.00)	(207,336.00)	(235,500.00)
Net interest income	105,381.65	139,147.76	163,452.00	173,578.00	545,794.00
Operating expenses	(148,142.24)	(160,312.94)	(188,057.00)	177,627.00	(246,602.00)
Profit Before Tax	75,038.12	90,339.46	80,072.00	103,187.00	148,232.00
Profit after tax	65,868.77	71,439.35	61,990.85	94,981.00	126,050.00
Total Asset	2,591,330.15	3,483,865.56	4,102,000.00	4,954,156.00	6,159,007.93
Loans and Advances	1,408,563.00	1,854,662.17	2,064,000.00	2,136,095.00	2,466,838.01
Customer Deposit	1,683,244.32	2,089,197.29	2,245,000.00	2,564,908.00	2,956,694.55
Shareholders' Fund	367,801.47	454,494.58	469,491.10	490,512.00	541,766.60

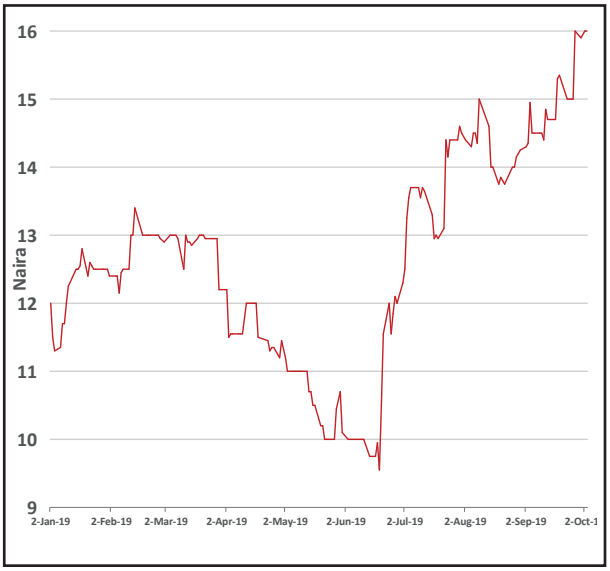
Source: Company report

LAFARGE WAPCO PLC.

LSAH selloffs likely to drive operating cost down

- Lafarge Africa Plc is driving excellence in Nigeria's building industry and places innovation at the heart of its priorities, working for sustainable construction and architectural creativity.
- Revenue declined by 1.23% YoY to ₦160.3 billion in H1 2019 while gross profit grew by 4.58% YoY to ₦40.7 billion
- PBT grew by 246% YoY to ₦9.2 billion while PAT grew by 330% YoY to ₦9 billion in Q3 2019
- We forecast Revenue to grow by 5.57% to ₦247.9 billion in Q3 2019. PBT to grow by 196.87% YoY to ₦13.9 billion while PAT to grow by 230.1% to ₦13.5 billion in Q3 2019.

Price Movement Performance Jan.- Sept. 2019



MARKET DATA	
Price as at Sept. 30, 2019 (₦)	16.00
51 Weeks High (₦)	-
52 Weeks Low (₦)	24.57
Market Cap. (₦'Bn)	9.2
Outstanding Shares (Bn)	261.75
30 Day Avg Volume	16.11
Fair Value	5,370,924.00

VALUATION	
EPS (₦)	(0.02)
PE(x)	-
P/BV(x)	1.15
Dividend FY2018 (₦)	0
Forecast Dividend FY2019(₦)	0.46
Dividend Yield FY2018 (%)	0.00

RATIO(%)	2017	2018	2019F
RoAA	(5.99)	(1.63)	3.03
RoAE	(22.04)	(6.54)	7.33
Net Sales Margin	(11.57)	(2.85)	5.45
Gross Profit Margin	16.97	22.59	21.88
Asset Turnover	51.78	57.04	55.61

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Revenue	247,876.11	234,800.74	5.57
Cost of Sales	(144,271.67)	(178,785.84)	(19.30)
Gross Profit	54,233.20	56,094.90	(3.32)
PBT	13,911.08	(14,360.67)	196.87
PAT	13,513.32	(10,383.84)	230.14
Total Asset	588,400.19	545,894.94	7.79
Total Equity	233,461.20	132,561.13	76.12

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Revenue	267,234.24	219,714.11	299,153.30	308,425.45	330,501.49
Cost of Sales	(184,588.94)	(179,052.42)	(248,393.63)	(238,742.58)	(192,362.23)
Gross Profit	82,645.30	40,661.69	50,759.66	69,682.87	72,310.93
Operating Expenses	44,604.47	29,138.01	46,943.68	44,873.43	37,093.57
Operating Profit	38,040.83	12,439.91	7,885.50	24,810.81	33,968.36
Finance income	1,950.13	3,675.23	1,438.98	1,719.17	1,989.00
Finance cost	(10,701.95)	(38,921.34)	(43,216.50)	(45,973.06)	(48,641.64)
Profit Before Tax	29,286.85	(22,818.72)	(34,032.27)	(19,508.22)	18,548.10
Profit After Tax	27,162.97	16,898.78	(34,601.40)	(8,801.72)	18,017.76
Total Assets	451,682.80	501,373.69	577,727.44	540,736.66	594,343.62
Total Equity	176,151.73	248,952.55	156,986.75	134,541.08	245,748.63

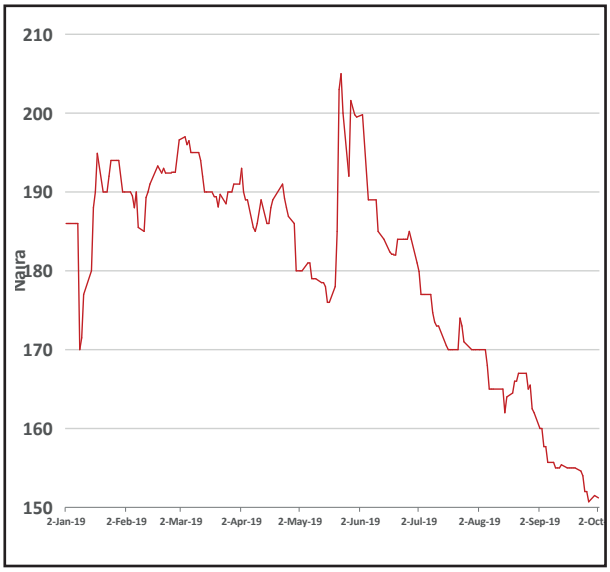
Source: Company report

DANGOTE CEMENT PLC.

To leverage on market leadership to boast growth.

- Dangote Cement Africa's largest cement producer, with operations in 10 African countries.
- Revenue declined by 3.0% YoY to ₦467.7 billion in H1 2019 while gross profit declined by 3.6% YoY to ₦274.5 billion.
- PBT declined by 16.2% YoY to ₦155.4 billion while PAT grew by 5.4% YoY to ₦119.2 billion in H1 2019.
- We forecast Revenue to grow by 2.53% to ₦702.7 billion in Q3 2019. PBT to decline by 5.08% YoY to ₦234.8 billion while PAT to grow by 17.88% to ₦186.6 billion in Q3 2019.

Price Movement Performance Jan.- Sept. 2019



MARKET DATA	
Price as at Sept. 30, 2019 (₦)	151.20
12 Month Target Price (₦)	200.00
52 Weeks High (₦)	221.50
52 Weeks Low (₦)	136.10
Market Cap. (N'Bn)	2,573.00
Outstanding Shares (Bn)	17.04
30 Day Avg Volume	910,585.00

VALUATION	
EPS (₦)	23.23
PE(x)	6.50
P/BV(x)	3.12
Dividend FY2018 (₦)	16.00
Forecast Dividend FY2019 (₦)	11.00
Dividend Yield FY2018 (%)	10.58

RATIO(%)	2017	2018	2019F
RoAA	12.26	23.04	14.73
RoAE	26.14	39.56	23.33
Net Sales Margin	25.35	43.31	26.55
Gross Profit Margin	56.39	57.47	57.86
Asset Turnover	48.36	53.19	55.48

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Revenue	702,655.60	685,290.00	2.53
Cost of Sales	(296,218.20)	(287,682.00)	2.97
Gross Profit	406,555.67	397,608.00	2.25
PBT	234,802.19	247,364.00	(5.08)
PAT	186,579.17	158,277.00	17.88
Total Asset	1,688,648.94	1,695,582.00	(0.41)
Total Equity	799,807.47	782,777.00	2.18

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Revenue	491,725.00	615,103.00	805,582.00	901,213.00	936,874.13
Cost of Sales	(201,808.00)	(323,816.00)	(351,290.00)	(383,311.00)	(394,957.60)
Gross Profit	289,917.00	291,287.00	454,292.00	517,902.00	542,074.23
Operating Expenses	(86,046.00)	(119,336.00)	(155,297.00)	(189,426.00)	(203,302.46)
Operating Profit	207,822.00	182,493.00	304,208.00	338,698.00	351,498.12
Finance income	1,699.00	2,662.00	9,136.00	11,323.00	9,967.74
Finance cost	(34,130.00)	(45,381.00)	(52,101.00)	(49,778.00)	(39,949.86)
Profit Before Tax	188,294.00	180,929.00	289,590.00	300,806.00	313,069.58
Profit After Tax	181,323.00	142,858.00	204,248.00	390,325.00	248,772.23
Total Assets	1,110,943.00	1,529,104.00	1,665,883.00	1,694,463.00	1,688,648.94
Total Equity	644,720.00	797,345.00	781,360.00	986,613.00	1,066,409.95

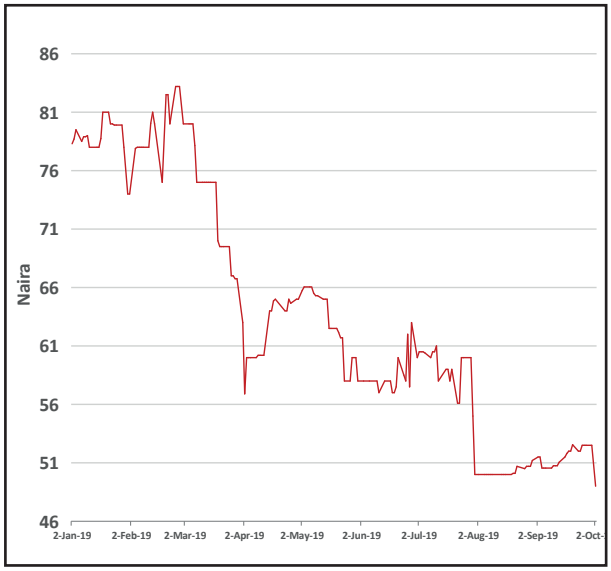
Source: Company report

NIGERIAN BREWERIES PLC.

Excise duty to continue to impact revenue growth.

- Nigerian Breweries Plc (Nigerian Breweries) is a subsidiary of the internationally established Heineken N.V. of the Netherlands, with 54.10% stake.
- Revenue declined by 1.43% YoY to ₦170.1 billion in H1 2019. PBT and PAT declined by 29.54% and 27.76% YoY to ₦19.4 billion and ₦13.3 billion respectively in Q3 2019.
- We forecast Revenue to grow by 0.11% to ₦255.3 billion in Q3 2019. PBT to grow by 29.55% YoY to ₦29.12 billion while PAT to grow by 35.08% to ₦19.98 billion in Q3 2019.

Price Movement Performance Jan. - Dec. 2018.



MARKET DATA	
Price as at Sept. 30, 2019 (₦)	49.00
12 Month Target Price (₦)	80.00
52 Weeks High (₦)	92.5
52 Weeks Low (₦)	49
Market Cap. (N'Bn)	402.64
Outstanding Shares (Bn)	8.00
30 Day Avg Volume	5,904,591.00

VALUATION	
EPS (₦)	1.81
PE(x)	27.79
P/BV(x)	2.38
Dividend FY2018 (₦)	2.43
Forecast Dividend FY2019 (₦)	2.39
Dividend Yield FY2018 (%)	4.96

RATIO(%)	2017	2018	2019F
RoAA	8.65	5.00	5.94
RoAE	18.54	11.63	13.95
Net Sales Margin	9.59	5.98	6.96
Gross Profit Margin	41.66	39.12	36.70
Asset Turnover	90.15	83.55	85.32

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Revenue	255,286.50	254,998.17	0.11
Cost of Sales	(147,810.50)	(143,350.20)	(3.11)
Gross Profit	107,475	94,175.48	14.12
PBT	29,115.30	22,474.30	29.55
PAT	19,977.40	14,789.67	35.08
Total Asset	389,837.99	361,159.44	7.94
Total Equity	166,464.18	168,038.99	(0.94)

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Revenue	293,905.79	313,743.15	344,563.00	324,389.00	335,978.21
Cost of Sales	(149,736.07)	(178,218.53)	(201,013.35)	(197,484.69)	(202,932.77)
Gross Profit	144,169.72	135,524.62	143,549.16	126,903.80	123,303.23
Operating Exp.	(62,269.36)	(83,237.12)	(88,646.68)	(90,837.62)	(94,911.92)
Operating Profit	120,654.68	52,908.41	57,126.31	36,957.00	31,906.01
Interest income	506.61	416.50	172.07	361.92	402.76
Interest Expense	(8,217.79)	(13,645.15)	(10,663.07)	(7,529.59)	(8,086.90)
Profit Before Tax	112,940.50	46,572.31	46,630.05	29,360.00	34,778.73
Profit After Tax	96,481.65	33,009.29	33,048.56	19,401.00	23,395.33
Total Assets	356,218.68	367,156.47	382,228.09	388,262.87	393,779.89
Total Equity	172,239.36	165,923.77	178,298.42	166,828.45	167,683.46

Source: Company report

JULIUS BERGER NIGERIA PLC.

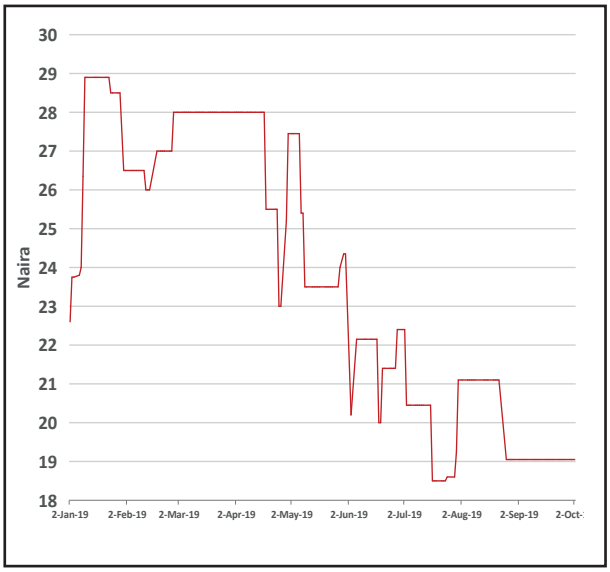
Fiscal spending to continue to drive growth.

- Julius Berger is a leading construction company offering integrated solutions and related services.
- Revenue grew by 80.33% YoY to ₦131.7 billion in H1 2019 while gross profit also grew by 50.93% YoY to ₦29.8 billion. PBT grew by 16.09% YoY to ₦4.5 billion while PAT grew by 9.25% YoY to ₦2.8 billion in Q3 2019.
- We forecast Revenue to grow by 76.33% to ₦206.9 billion in Q3 2019. PBT to grow by 55.06% YoY to ₦7.8 billion while PAT to grow by 43.71% to ₦4.89 billion in Q3 2019.

MARKET DATA	
Price as at Sep 30, 2019 (₦)	18.55
12 Month Target Price (₦)	34.53
52 Weeks High (₦)	28.8
52 Weeks Low (₦)	17.65
Market Cap. (N'Bn)	24.49
Outstanding Shares (Bn)	1.32
30 Day Avg Volume	106,346.00

VALUATION	
EPS (₦)	5.48
PE(x)	3.39
P/BV(x)	0.67
Dividend FY2018 (₦)	0.2
Forecast Dividend FY2019(₦)	2.44
Dividend Yield FY2018 (%)	1.08

Price Movement Performance Jan. - Sept. 2019



RATIO(%)	2017	2018	2019F
Rao	0.93	2.12	2.17
RoAE	8.55	17.23	16.71
Net Sales Margin	1.81	3.14	2.34
Gross Profit Margin	31.22	26.72	18.62
Asset Turnover	51.52	67.47	92.69

(N'Mn)	Q3:2019F	Q3:2018	Chg.(%)
Revenue	208,903.28	118,472.00	76.33
Cost of Sales	(139,489.90)	(94,109.00)	48.22
Gross Profit	47,037.83	24,362	93.08
PBT	7,838.23	5,055.00	55.06
PAT	4,890.38	3,403.00	43.71
Total Asset	300,500.77	263,879.00	13.88
Total Equity	39,028.71	32,138.17	21.44

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Revenue	133,807.57	138,993.75	141,890.49	194,617.71	278,537.71
Cost of Sales	(100,473.11)	(84,767.29)	(97,591.98)	(142,609.19)	(207,675.21)
Gross Profit	33,334.46	54,226.46	44,298.50	52,008.51	51,851.85
Operating Expenses	(31,614.02)	(37,434.21)	(35,611.95)	(34,339.96)	(35,481.24)
Operating Profit	11,813.59	16,792.25	8,686.56	12,087.95	14,084.28
Finance income	6,148.77	5,784.25	6,900.05	2,764.49	2,949.19
Profit Before Tax	6,499.97	(1,498.03)	3,739.14	10,197.66	10,450.97
Profit After Tax	2,440.14	(3,816.79)	2,572.04	6,101.81	6,520.50
Total Assets	245,086.27	259,178.93	275,393.79	288,429.99	300,500.77
Total Equity	24,291.96	25,316.32	30,095.93	35,417.88	39,028.71

Source: Company report

GUINNESS NIGERIA PLC.

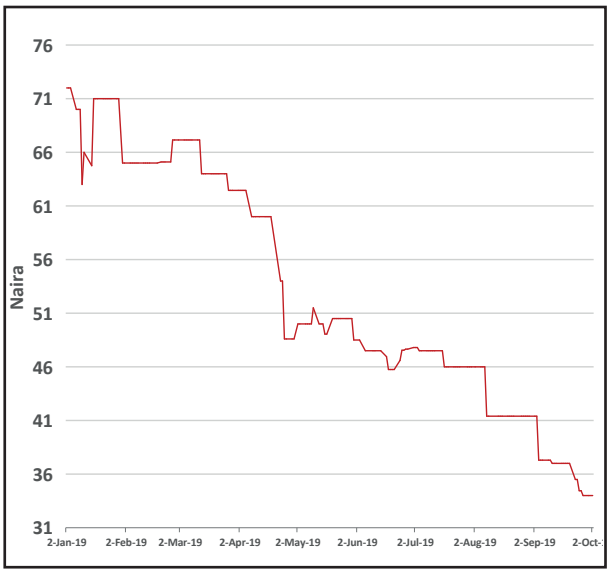
Growth in spirits business to boost earnings .

- Guinness Nigeria Plc is the nation's leading alcoholic beverage manufacturer and a subsidiary of Diageo Plc, with a great track record of growth and strong performance

- Revenue declined by 8.03% to N131.4 billion in FY 2019. PBT declined by 28.56% to N7.1 billion and PAT declined by 18.37% to N5.4 billion in FY 2019.

- We forecast Revenue to grow by 28.33% to ¤36 billion in Q1 2020. PBT to grow by 59.70% YoY to N1.96 billion while PAT to grow by 83.43% to N1.53 billion in Q1 2020.

Price Movement Performance Jan. - Sept. 2019



MARKET DATA	
Price as at Sep 30, 2019 (₦)	34.00
12 Month Target Price (₦)	88.00
52 Weeks High (₦)	81.00
52 Weeks Low (₦)	32.90
Market Cap. (N'Bn)	72.06
Outstanding Shares (Bn)	2.19
30 Day Avg Volume	480,516.00

VALUATION	
EPS (₦)	2.50
PE(x)	13.15
P/BV(x)	0.81
Dividend FY2019 (₦)	1.52
Forecast Dividend FY2020 (₦)	1.75
Dividend Yield FY2018 (%)	4.47

RATIO(%)	2018	2019	2020F
RoAA	4.38	3.41	3.61
RoAE	7.67	6.16	6.45
Net Sales Margin	4.70	4.17	4.25
Gross Profit Margin	34.01	30.52	27.71
Asset Turnover	93.29	81.78	85.02

(N'Mn)	Q1:2020F	Q1:2019	Chg.(%)
Revenue	36,052.56	28,094.02	28.33
Cost of Sales	(26,452.12)	(18,985.04)	39.33
Gross Profit	9,991.84	9,108.98	9.69
PBT	1,962.61	1,228.90	59.70
PAT	1,532.72	835.60	83.43
Total Asset	161,135.66	158,477.71	1.68
Total Equity	90,296.18	85,895.68	5.12

FINANCIAL SUMMARY

(₦'mn)	2015	2016	2017	2018	2019F
Revenue	101,973.03	125,919.82	142,975.79	131,498.30	144,210.23
Cost of Sales	(60,162.62)	(77,604.51)	(94,350.38)	(91,369.14)	(105,808.50)
Gross Profit	41,810.41	48,513.30	48,625.40	40,129.22	39,967.36
Operating Expenses	(37,895.31)	(38,976.31)	(35,907.51)	(31,943.10)	(30,232.92)
Operating Profit	4,415.62	10,186.33	13,386.24	8,966.03	12,823.87
Finance income	1,185.14	2,253.39	2,201.47	750.90	805.82
Finance cost	(7,948.01)	(9,777.63)	(5,644.56)	(2,613.30)	(1,977.81)
Profit Before Tax	(2,347.24)	2,662.08	9,943.16	7,103.60	7,850.42
Profit After Tax	(2,015.89)	1,923.72	6,717.60	5,483.73	6,130.86
Total Assets	136,992.44	146,038.22	153,254.96	160,792.62	169,616.48
Total Equity	41,660.61	42,943.02	87,588.17	89,060.46	95,048.61

Source: Company report

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We manage the risks as vigilantly as we seek returns

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