MACRO-ECONOMIC & FINANCIAL 2020 OUTLOOK

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Investors' take away

- Global growth is expected to be stable in 2020 as trade tensions between the US and China subside.
- US elections and trade wars could slow American economy down
- The U.K. election results and parliamentary backing for Prime Minister Johnson's Brexit deal have cleared up some uncertainty over Brexit.
- Oil prices to be pulled higher by political crises and pushed lower by slow demand.
- Negative interest rates by central banks are expected across the world.
- Inflation is expected to continue to rise in Nigeria due to border closure, implementation of the minimum wage and VAT hike to 7.5%.
- Interest rates in the fixed income market are expected to decline and remain low.
- Nigerian Equities market is expected to pick up in the year 2020.

Macroeconomic scorecard

	2019 P	2020 P
GDP Growth(%)	2.00	2.20
Inflation (%)	11.85	12.50
Exchange Rate (N/$)	362.00	362.00
External Reserve ($bn)	38.78	45.00
MPR(%)	13.00	12.00
Crude Oil Production (mbpd	2.50	2.50
Brent Crude ($pb)	67.11	67.00
Power (MW)	5,000.00	5,000.00
NSE All Share Index (points)	26,842.07	35,000.00
Treasury Bills (TBs)		
T Bills (91 Days)	4.00	2.95
T Bills (182 Days)	5.00	3.95
T Bills (364 Days)	5.50	5.09
O/N (%)	7.60	-
OBB (%)	10.52	-

2020 Outlook Scenario

SCENARIOS	BASELINE	OPTIMISTIC	PESSIMISTIC
Global GDP Growth (%)	3	3.5	2.5
Drivers	No major disruptions across advanced emerging & Sub Saharan economies Us Economy to continue to grow	US & China agree to leave trade war behind Emerging Markets and Sub-Saharan Markets grow faster	US & China ramp up trade war Advanced economies continue to slow down. Escalation in global unrest
Oil Price (US $/pb)	67	80	40
Drivers	Balanced demand and supply is maintained in the crude oil market No major disruption to current supply Peace remains in oil producing regions	Hightened tension in the Middle East especially between USA and Iran Strong global economic growth especially in China Production cuts by OPEC	Weak demand in key industrial nations Decreased tension in the middle east
Nigeria GDP Growth (%)	2.2	2.5	1.8
Drivers	Non- Oil Sector especially services see continues pace of growth Slight Increase in Crude Oil Price	Non- Oil Sector especially services see significant growth Increase in Crude Oil Price Growth targeted government policies	High debt servicing costs Infrastructural deficit Insecurity Elevated Inflation
GDP Growth IMF (%)	2.5		
Oil Production (mbpd)	2.05	2.3	1.9
Drivers	OPEC Quota remains the same Existing production Infrastructure retained	Increase in OPEC Quota Improved Infrastructure	OPEC Production Quota cut Vandalization of Oil producing infrastructure
Inflation (%)	12.5	10	12.8
Drivers	Interest rates remain unchanged Exchange rate remains relatively stable Tighter Fiscal policy	Increased Interest rates Tighter Fiscal policy Appreciation in exchange rate	Sustained Border Closure Implementation of minimum wage policy VAT hike Electricity tariff hike

Exchange Rate (I & E, NGN/$)	362	360	370
Drivers	USA and other advanced economies keep interest unchanged Stable foreign capital inflow to Nigeria CBN continues weekly intervention	USA and other advanced economies keep interest rates low Increase in foreign capital inflow to Nigeria Increase in export activities	US and advanced economies increase interest rates CBN unable to sustain weekly intervention
External Reserves ($'Bn)	45	50	35
Drivers	-	Increase in crude oil prices	Decrease in crude oil prices Further pressude on the FX Market
MPR (%)	12	11	14
Drivers	-		
Power (MW)	5,000	7,500	4,000
Drivers	Similar rainfall to 2019 Power infrastructure utilized at current levels	Optimal performance of power infrastructure More private and public investment in the power sector High Volume of rainfall	Breakdown in power infrastructure Low volume of rainfall
Equities Market			
NSE All Share Index	35,000.00	38,000	25,000
Stock Market Cap (N'Trn)	13	16	10
Drivers	Brighter outlook in investors confidence Good corporate earnings performance Sustained decline in fixed income interest rates	Brighter outlook in investors confidence Good corporate earnings performance Sustained decline in fixed income interest rates	Poor performance in corporate earnings Poor local economic performance
Fixed Income Market			
Treasury Bills (%)	5	5	12
FGN Bonds (%)	6	10	
Drivers	CBN retains restrictive money market policies	CBN retains restrictive money market policies	CBN relaxes on restrictive money market policies

Snap

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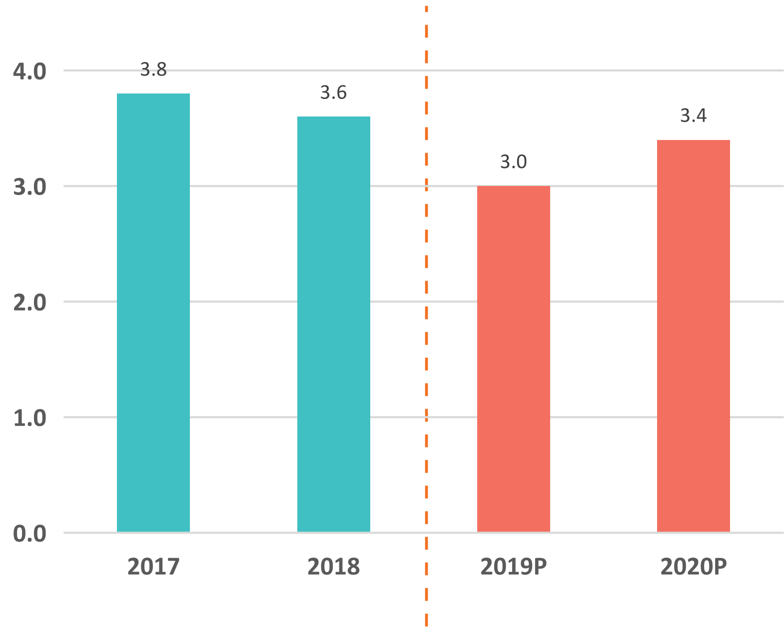
Global Economy

Global Economy | Growth expected to be stable

The global economy growth in 2019 was impacted by the US-China trade tensions, Brexit uncertainties, weak external demands and disruptions associated with the rollout of new car emission standards in Europe, especially Germany, technology tensions, declining fiscal stimulus in Europe, tighter financial conditions and geopolitical crisis in the Middle East. Moreover, demand for consumer durables also declined across advanced and emerging market economies as companies and households continue to hold back on long-term spending. Business confidence continued to decline in 2019, as manufacturing activity on a global basis moved into contraction territory. International trade and investment was weaker than expected and economic activity in major advanced economies, particularly the Euro Area, and some large emerging market and developing economies (EMDEs) was weaker than the 2018.

Global growth is expected to be stable in 2020, as weaker momentum in the advanced economies and China should be offset by stronger growth in other emerging markets. The trade war is expected to extend into 2020, thereby fuelling some uncertainty to the global growth outlook. The US and China met five different occasions in 2019 and only had one productive ending

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



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

resulting in the phase-1 trade agreement. The continued trade war is expected to have the likely impact in 2020. Nevertheless, continued accommodative monetary policy and fiscal stimulus is expected to cushion the likely impact.

Furthermore, inflation should also remain largely stable in 2020, with lower interest rates offsetting cheaper average oil prices. Further easing of monetary policy is likely although to a more limited extent than in 2019, as Central Banks take advantage of generally mild price pressures to shore up growth prospects. The US Fed eased its stance in October 2019, but suggested it will now remain on hold for the near term, while China's Central bank cut rates in mid-November to support activity.

According to the IMF, global growth in 2020 is projected at about 3.4% (0.4% point higher than 2019). The forecast depends to a large extent on durable normalization in emerging market and developing economies currently in macroeconomic distress and on continued healthy performance of relatively faster-growing emerging market and developing economies.

United States | Growth expected to be slow

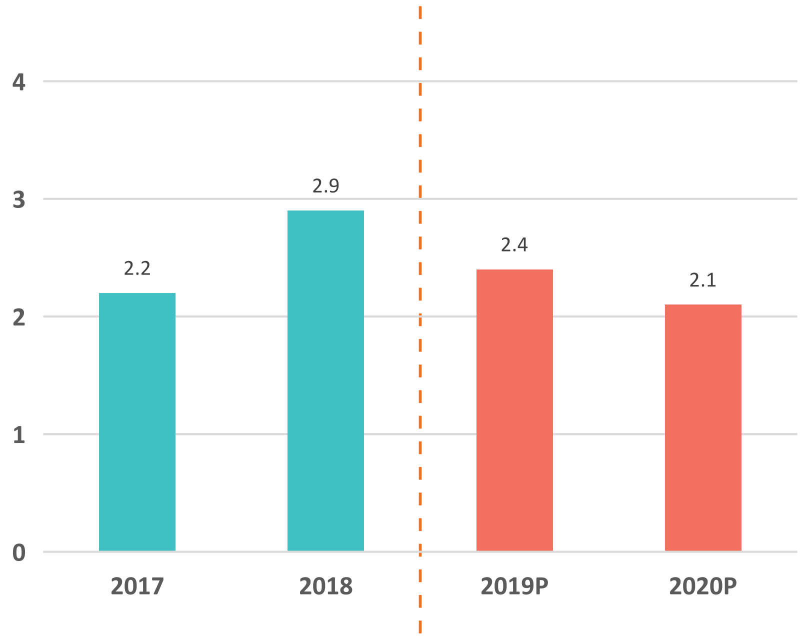
The US economy is expected to slow in 2020 as the U.S.-China trade war and a weak global backdrop continue to weigh on investment.

The US economy returned to trend growth in 2019 after a tax-reform-induced rush in 2018. The restrictive trade policy produced a decline in business investment that raised recession worries in the middle of 2019, but those concerns proved exaggerated. The US labor market has continually surprised to the upside with the unemployment rate has held at or below 4% for nearly two years. Moderate inflation and steady wage growth meant consumers are working, earning and spending. In Q3 2019, economic growth slowed due to moderating consumer spending and a sharper contraction in business investment. However, residential investment rebounded and the drag from net trade contraction in Q3. In Q4 2019, consumers were less optimistic, although payroll gains proved to be resilient in the same period, notwithstanding the temporary drag from the General Motors strike, and retail sales rebounded.

At its December 2019 monetary policy meeting, the Federal Reserve's Open Market Committee (FOMC) voted to maintain its target range for the federal funds rate at 1.50%–1.75%, as had been expected by the majority of our panelists. Moreover, the Bank's latest dot plot, which tracks the projections for the future rate path, suggests the Fed will keep the target range unchanged in 2020

The US economy is expected to slow in 2020 as the U.S.-China trade war and a weak global backdrop continue to weigh on investment, which will likely spill over into slower job creation and household expenditures. However, lower borrowing costs should help cushion the slowdown. The US fiscal and monetary policy will remain accommodative. Low interest rates and deep budget deficits will combine to provide stimulus.

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



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

According to the IMF, US growth is expected to be 2.1% in 2020 (0.3% point lower than 2019). The key downside risks stem from high corporate debt and persistent policy uncertainty

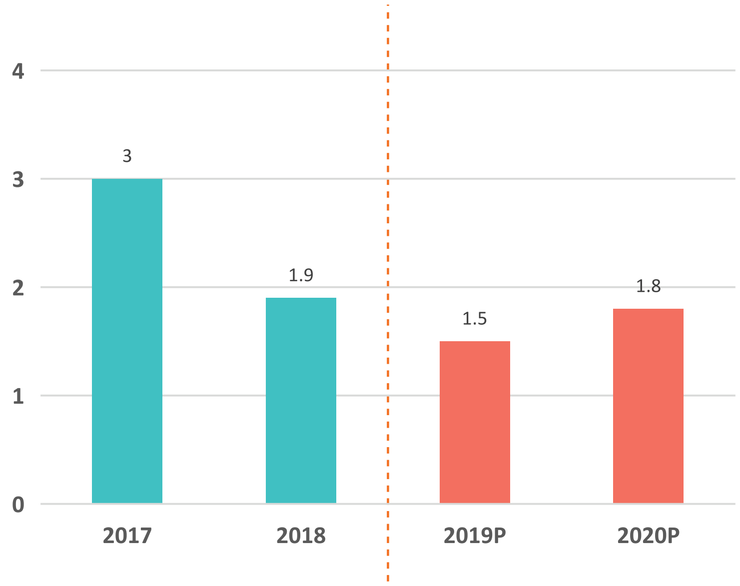
The unemployment rate and the manufacturing PMI were virtually unchanged in October.

Canada | Growth expected to pick up marginally

The Canadian growth was tapered in Q3 2019 on a moderation of energy exports. The economy expanded only marginally, though was held back by the utilities sector, due to milder weather in the quarter. In Q4 2019, growth was broadly steady. The unemployment rate and the manufacturing PMI were virtually unchanged in October. Meanwhile, Alberta lifted restrictions on drilling new oil wells in early November, which should spark investment and drilling activity. Moreover, China lifted import bans on Canadian pork and beef recently, which added some impetus to the external sector, amidst heightened diplomatic tensions between the two countries.

At it December 2019 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 pat was driven by close-to-target inflation levels, with inflation clocking in at 1.9% for the third consecutive month in October. The BoC now expects price pressures to intensify slightly in the short-term due to last year's sharp fall in gasoline prices before averaging 2.0% over the next couple of years. The next monetary

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



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

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

policy meeting is scheduled for 22 January 2020

In 2020, the economy is expected to gain momentum due to solid labor dynamics and wage growth which should continue to support household spending. Moreover, strong population growth, lower mortgage rates and government measures to support first-time home buyers should buttress residential investment. However, the U.S.-China trade war and uncertainty over the ratification of USMCA will likely continue to weigh on the external sector and business investment

According to the IMF, growth is expected to be 1.8% in 2020 (0.3% point higher than 2019). The key downside risks are the U.S.-China trade war, volatile oil prices and elevated household debt.

United Kingdom | Economy expected to grow moderately

The UK economy slightly expanded in Q3 2019 as a result of private consumption. However, fixed investment and an inventory fell due to a surge in stocks in the run-up to the initial Brexit deadline of end-March which weighed on the economy, and a recovery in imports reduced the external sector's contribution to growth. Employment contracted by 58,000, which marked the largest registered quarterly decline since May 2015, with fewer part-time jobs largely to blame. Moreover, the number of job vacancies continued to decline and nominal wage growth lost steam in Q3, even though wage growth continued to outpace inflation.

The U.K. election results and parliamentary backing for Prime Minister

Johnson's Brexit deal have cleared up some uncertainty over Brexit. If a departure agreement is concluded by January 31, Britain will turn its attention to defining its new association with the EU, which will involve new trade terms, customs procedures and regulations. The Prime Minister is aiming for a relatively harder version of Brexit compared to his predecessor's agenda, leaving the probability of an upside surprise to the economy quite low. Concessions to allow more flexibility in both the timing of Brexit and closer economic ties with the EU could deliver some upside surprises through improved sentiment and investments

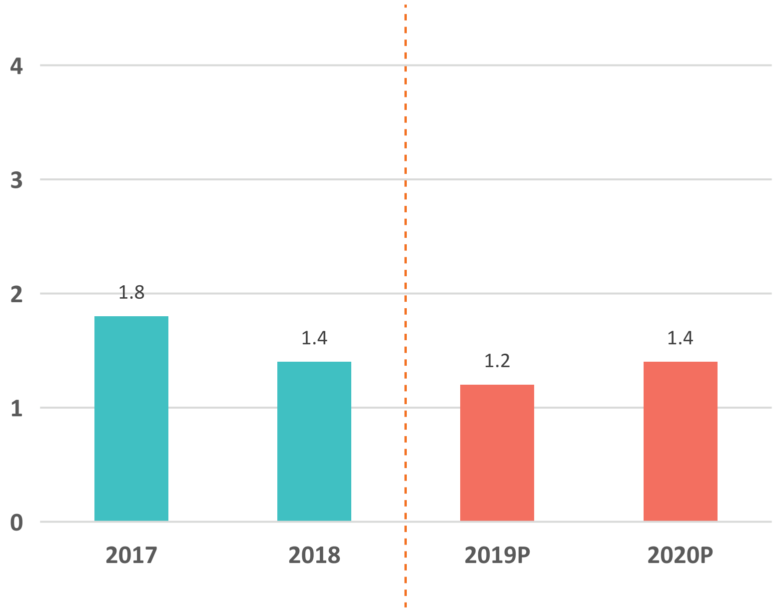
At its December 2019 meeting, the Monetary Policy Committee (MPC) of the Bank of England (BoE) voted to keep the Bank Rate unmoved at 0.75%. The Committee unanimously agreed to maintain the stock of investment-grade corporate bond purchases at GBP 10 billion and the stock of UK government bond purchases at GBP 435 billion, financed by the issuance of Central Bank reserves.

Looking ahead in 2020, the UK economy is expected to grow moderately. Brexit-related uncertainty and weaker global growth continue to weigh on the British economy, but progress on Brexit should clear some economic obstacles leading to improved growth and tighter labor markets

Looking ahead in 2020, the UK economy is expected to grow moderately.

According to the IMF, growth in the UK is expected to be 1.4% in 2020 (0.2% point higher than 2019)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, Oct., 2019.

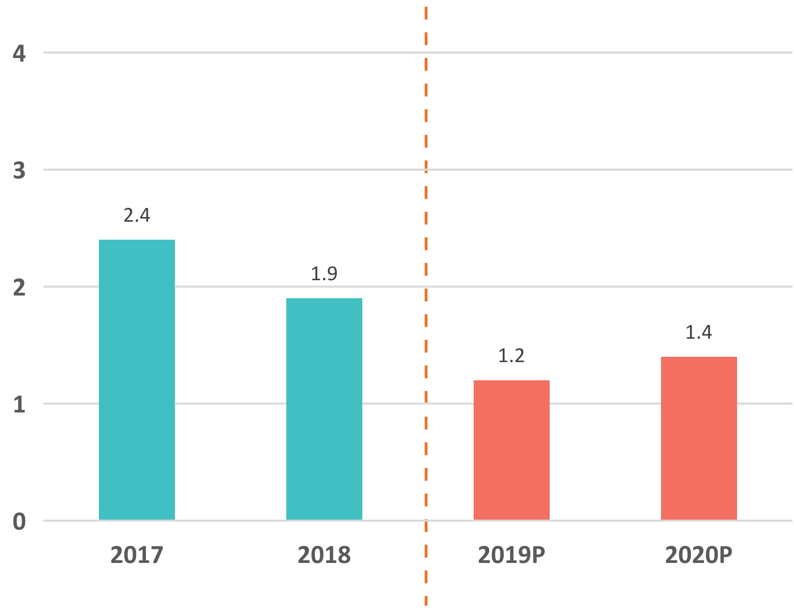
Euro Area | Growth expected to pick up modestly

The slowdown in the eurozone was worrying in 2019, particularly as its core economies, Germany and Italy, hovered perilously close to recession. Growth was steady in Q3 2019. The pace of expansion was modest in the Euro zone, as the economy was restrained by persistent external headwinds, a weak industrial sector and a cooling labor market. Labor market conditions in the common currency bloc improved somewhat in October 2019, according to data released by Eurostat. The number of unemployed people decreased by 31,000, and the unemployment rate dropped from 7.6% in September to 7.5% in October. The result, together with August's print, marked the joint-lowest unemployment rate since July 2008. In Q4 2019, economic sentiment moved to a near five-year low, owing to a broad-based decline in confidence among consumers and businesses.

At it December 2019 meeting, the European Central Bank (ECB) made no changes to its monetary policy, keeping in place a stimulus package unveiled in September. Accordingly, the ECB kept the refinancing rate at a record low of 0.00%, the deposit rate at minus 0.50% and the marginal lending rate at 0.25%, as had been expected. The ECB also confirmed that its asset purchase programme (APP) was resumed on 1 November, at a pace of EUR 20 billion per month, and will last for as long as is deemed necessary. The meeting marked the first chaired by the new ECB President Christine Lagarde, who replaced Mario Draghi on 1 November.

The pace of expansion was modest in the Euro zone, as the economy was restrained by persistent external headwinds, a weak industrial sector and a cooling labor market.

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



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

Growth is expected to pick up modestly in 2020 as external demand according to IMF is projected to regain some momentum and temporary factors (including new emission standards that hit German car production) continue to fade. However, public and private debt levels in the eurozone are still high, creating a channel of contagion in a worst-case scenario. Nevertheless, there are early signs that the worst may be over. The recent de-escalation of trade tensions and progress on Brexit will help remove some uncertainties for businesses..

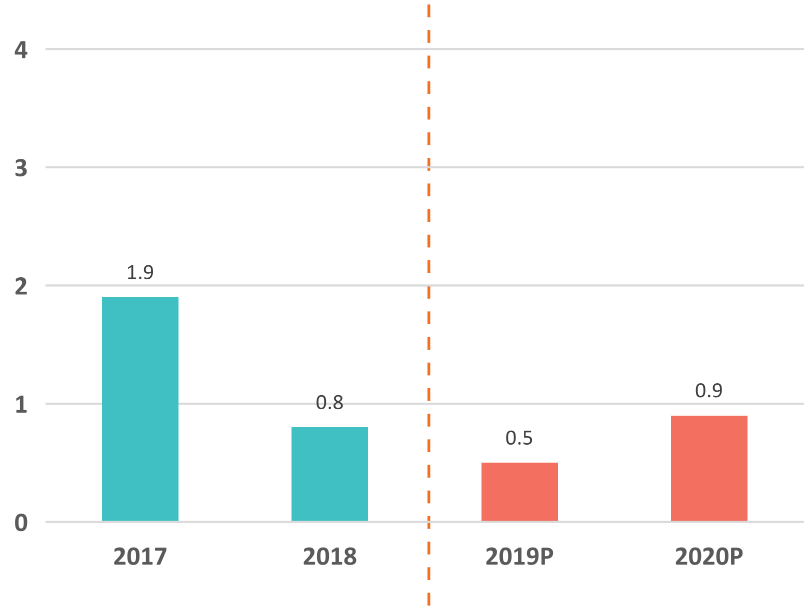
According to the IMF, growth in the euro area is expected to be 1.4% in 2020 (0.2% point higher than 2019). The key down risks include rising trade tensions, slowing activity in China and a no-deal Brexit.

Japan | Growth expected to be slow

The Japanese economy continued to struggle through 2019 with uncertainties weighing on its external sector. While risk sentiment has receded somewhat on hopes for a U.S.-China trade agreement, external demand remains weak amid rising protectionism. The economy slowed in Q3 2019 as private consumption, government consumption and fixed investment growth all moderated. Exports of goods and services decreased in little over than a year, suggesting that the protracted U.S.-China trade war continued to hamper the Japanese external sector. In Q4, on 1 October, the sales tax increased from 8% to 10%, which reduced on private consumption. Moreover, consumer

The Japanese economy continued to struggle through 2019 with uncertainties weighing on its external sector.

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



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

confidence remained depressed despite ticking up in October, while the PMI measuring private-sector activity fell into contractionary territory in October for the first time since mid-2016; the reading was hit by both the sales tax hike and Typhoon Hagibis.

At its October 2019 meeting, board members at the Bank of Japan (BoJ) decided in a seven-to-two vote to keep its current monetary policy scheme. The BoJ kept the short-term policy rate, which applies to current account balances held by financial institutions at the Bank, at minus 0.10%. 10-year Japanese government bond (JGB) yields will continue to be capped at around 0%, although the yields will be able to move up and down to some extent. Moreover, the Bank will continue to purchase Japanese government bonds (JGBs) at an adjustable pace of about JPY 80 trillion (USD 736 billion) per year.

Japan economy is expected to be slow in 2020, largely due to the shackling effect of the sales tax hike on private consumption. Moreover, the U.S.-China trade war will continue to constrain the external sector. The economy should benefit from ultra-low interest rates, spillovers from the 2020 Olympics and low unemployment.

December 2019, the US and China agreed to a limited trade deal.

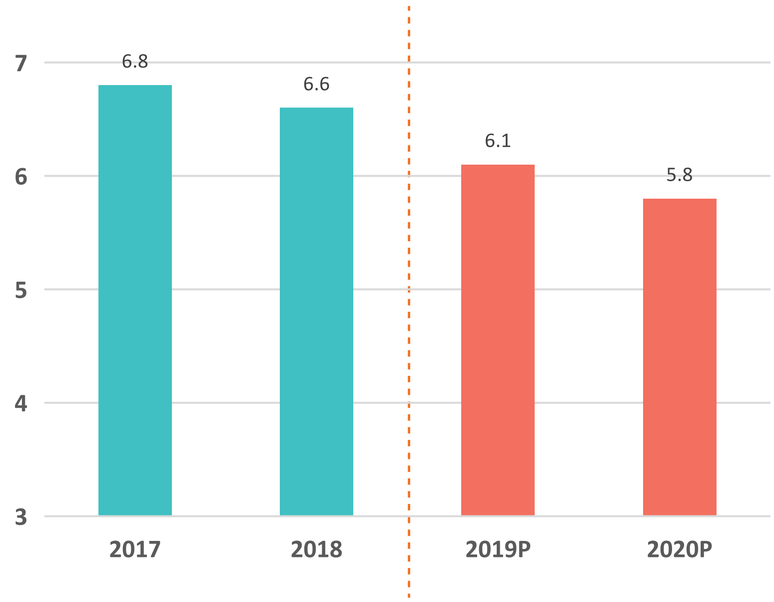
According to the IMF, Japan's economy is expected to grow by 0.5% in 2020 (0.4% point lower than 2019). Japan's biggest economic challenge is demographic. Its aging population is reducing economic vitality, and policy to address this subject has been slow to evolve

China | Growth expected to continue to decline modestly

The Chinese economy felt the heat from elevated trade tensions and its own domestic imbalances in 2019. Growth momentum remains weak. Industrial production was subdued in early Q4 2019, as the trade war with the U.S eroded manufacturing activities. This trend continued in Q4 as corroborated by a new drop in exports in November. Moreover, mounting economic uncertainty postponed investment plans, especially among foreign firms. The main positive has been the rebound in the manufacturing PMI in November.

Meanwhile, in December 2019, the US and China agreed to a limited trade deal, however, the tentative agreement fails to address the core issues that led to the current dispute. With no further progress expected nor an escalation, the remaining tariffs will continue to weigh on Chinese exports in 2020. As part of the deal, US stated that China will purchase more US agricultural products, while the U.S. will remove some existing tariffs in return. On the other hand, China's tolerance of lower headline growth has increased, a major policy easing against the backdrop of faltering growth could deliver some upside surprise to the economy. The Regional Comprehensive

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



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

Economic Partnership (RCEP), if formally signed, will also bring significant opportunities for Chinese exports, offsetting the impact of U.S. tariffs.

In 2020, the Chinese economy will continue to moderate in the midst of a long-lasting trade rift with the United States. Moreover, the property sector is expected to suffer from tight financing, which will weigh on overall economic growth. Although supportive fiscal and monetary policies are expected to cushion the slowdown, the scale of the measures will be limited.

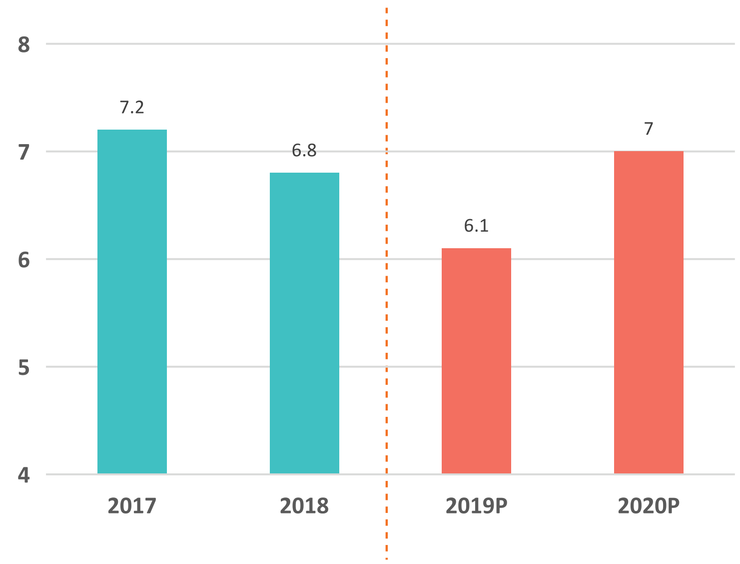
According to the IMF, growth is expected to be 5.8% in 2020 (0.3% point lower than 2019). The key down risks include a renewed escalation of trade tensions and weakening external demand.

The Indian economy declined to a six-and-a-half-year low in Q3 as fixed investment grew at the weakest pace in nearly five years.

India | Growth expected to pick up

The Indian economy declined to a six-and-a-half-year low in Q3 as fixed investment grew at the weakest pace in nearly five years. Despite recent interest rate cuts by the Reserve Bank of India (RBI), a sharp moderation in bank lending growth weighed on fixed investment. On the other hand, private consumption and government consumption both grew at a faster pace in in the course of the year. Consumer confidence and business confidence in the manufacturing sector both decreased in the quarter, pointing to modest private consumption and fixed investment readings. Moreover, the private-sector PMI averaged lower in the October–November period than in Q3

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



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

According to the IMF, India's economy is expected to grow at 7.0% in 2020 (0.9% point higher than 2019).

At its December meeting, the Reserve Bank of India (RBI)'s Monetary Policy Committee (MPC) unanimously decided to leave all monetary policy rates unchanged surprising many market analysts who expected a rate cut. As a result, the repo, marginal standing facility and reverse repurchase rates remained unchanged at 4.90%, 5.15% and 5.40%, respectively. Given the MPC's next meeting is scheduled for 6 February 2020, this calendar year is set to end with an accumulated reduction in interest rates of 1.35% points

The economy is expected to pick up in 2020 due to accommodative fiscal and monetary policy. According to IMF, growth will be supported by the lagged effects of monetary policy easing, a reduction in corporate income tax rates, recent measures to address corporate and environmental regulatory uncertainty, and government programs to support rural consumption

According to the IMF, India's economy is expected to grow at 7.0% in 2020 (0.9% point higher than 2019). However, high levels of bad debt in the banking sector could impede lending and restrain consumption growth, while tense relations with Pakistan and global trade protectionism

Sub-Saharan Africa | Growth expected to pick up

Growth in the Sub-Sahara was impacted by higher and volatile oil prices in 2019 which supported the subdued outlook for Nigeria and some other oil-exporting countries in the region, but Angola's economy contracted because of a decline in oil production. In South Africa, the impact of labor strikes and energy supply issues in mining, together with weak agricultural production impacted the economy. The largest economies of the region continue their slow growth, while many other economies in the region especially the typically more diversified ones experienced solid growth.

Furthermore, regional inflation rose from 12.8% in September to 14.1% in October 2019. High inflation in Zimbabwe and higher food price growth in Nigeria, prompted in large part by the closure of its land borders, drove the improvement. In 2020, although price pressures are seen declining somewhat on still-tight central bank policy, they are set to remain elevated overall.

Angola at its November 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%. This was the third consecutive meeting in which the Bank decided to stay put and came on the heels of the Bank's decision to float the currency in mid-October 2019. While South Africa, at its November 2019 meeting, the MPC of the South African Reserve Bank (SARB) held the repurchase rate at 6.50%. The MPC, however, was divided on the decision, with three members in favor of remaining put and the other two opting for a 25-basis-point cut.

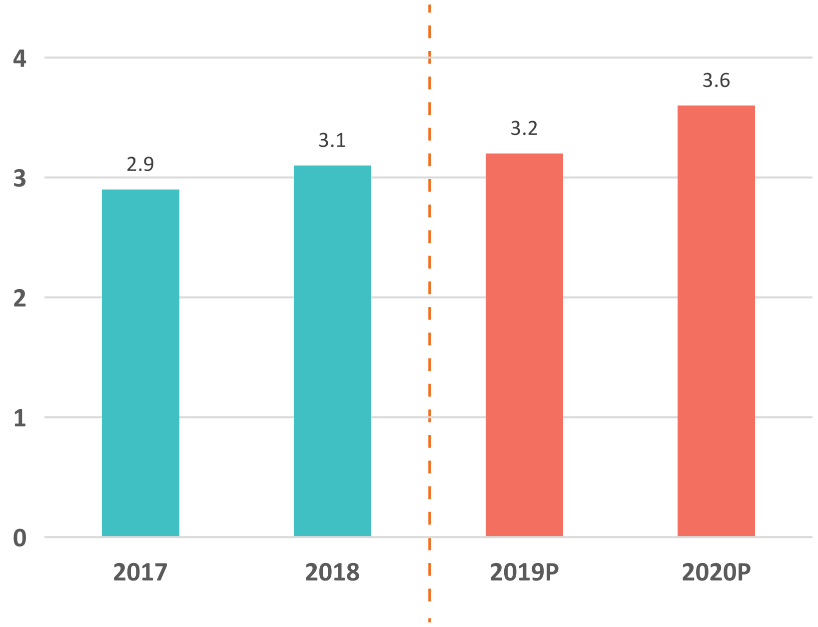
In 2020, Sub-Saharan Africa's economy is expected to pick up.

Nigeria at its November 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%. The decision was mainly driven by persistent inflationary pressures. Inflation leaped to a 17-month high of 11.6% in October (September: 11.2%) due to a spike in food prices following the government's decision to close land borders last month in an attempt to curb food smuggling.

In 2020, Sub-Saharan Africa's economy is expected to pick up, mainly driven by quickening, although still modest, growth in the resource-rich economies of Nigeria and South Africa. According to the IMF, inflation is expected to ease going forward. While the average sub-Saharan African-wide debt burden is stabilizing, elevated public debt vulnerabilities and low external buffers will continue to limit policy space in several countries.

According the IMF, growth in Sub-Saharan Africa is expected to 3.6% in 2020 (0.4% point higher than 2019). The U.S.-China trade war, slow global economic activity, commodity-price volatility, growing external debt concerns and the slow enactment of reforms all cloud the outlook.

Figure 9: Sub-Saharan Africa Growth Forecast (%) 2017-2020P



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

Oil prices are threatening to break out above the benchmark $60 level

Crude Oil | Production cut could impact on crude oil price

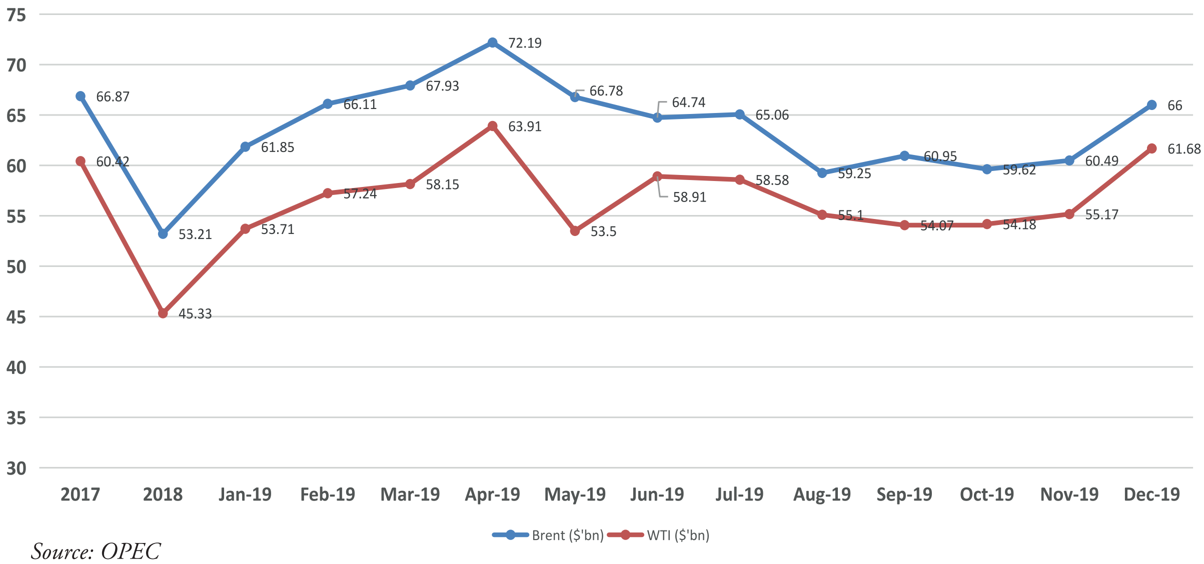
Price

With many emerging markets battling the deflationary force of low commodity prices, this fall's crude oil rally is a welcome sign. Oil prices are threatening to break out above the benchmark $60 level, which would be good news for the world economy. After peaking at $77/barrel last November, oil prices have had a tumultuous 2019. The rebound from last December's low price of around $45 to its April 2019 high of $65 was a volatile ride for traders. The subsequent drop in oil prices to around $50 this summer, and the most recent rally back to the $60/barrel level, nearly completes what has been a dizzying year for the energy sector.

Supply

Global crude oil production increased in H1 2019 following a sharp expansion in H2 2018 due to increased production between June and October by Saudi Arabia in anticipation of the U.S. sanctions on Iran. However, in November, the U.S. decided to grant waivers to the sanctions to eight countries, including China and India which led to much higher-than-expected levels of production in November and December, thereby resulting to a rise in inventories and declining prices. To prevent an oil glut forming,

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



Source: OPEC

amid faltering demand and surging U.S. shale production, OPEC and its coalition of partners, including Russia, agreed to implement production cuts of 1.2 mb/d starting in 2019.

OPEC production fell further following the expiry of the Iran sanction waivers and the imposition of sanctions on Venezuela, which led to a rapid decline in Iranian and Venezuelan oil production and supply. In December 2019, OPEC agreed to deepen production cuts by an additional 500,000 barrels a day through March 2020. Along with this decision, Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, confirmed the country would extend a voluntary cut of 400,000 barrels a day as well. This brings the total reduction in output to 2.1 million barrels a day. This reduction in supply is meant to stabilize oil prices and prevent a sharp decline of a similar nature to what happened in 2014-15

Demand

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. Global consumption of crude oil remained strong, rising in H1 2019, before declining relative to the H2 2018. As expected, increased level of business activity resulted in higher demand for oil. According to data from the International Energy Authority, global oil demand in the Q3 2019 grew by 1.1 million barrels per day. China was the largest contributor to this growth with an increase of 640,000 barrels on a year-over-year basis. Oil consumption increased in China, although the pace of growth has been decelerating due to the persisting trade tension with the US, which continues to dampen economic activities. Consumption in the US increased in H1 2019 as a result of economic growth, increased demand from the transport sector and a booming petrochemical industry. Nevertheless, oil consumption among other advanced economies has declined in Europe and Asia, due to weaker economic activity. For 2020, demand is expected at 29.4 million bpd, around 1.2 million bpd lower than the expected level for 2019.

Projection

OPEC project global oil demand to drop in 2020 by 60,000 bpd to 1.08 million bpd, mainly due to changes to the economic outlook the year. Supply adjustments will support prices in 2020, but demand will be the primary driver going forward. Moreover, crude oil prices may continue their rise in Q1 2020 in the midst of renewed market optimism from the reduced likelihood of a no-deal Brexit and easing trade tensions between the US and China. Crude oil prices may be also rise as a result of production cuts by OPEC that are expected to tighten supply as demand for the energy source rises in a perkier sentimental climate.

The Energy Information Administration (EIA) project Brent spot prices to average $61/b in 2020, down from a 2019 average of $64/b. EIA forecasts that West Texas Intermediate (WTI) prices will average $5.50/b less than Brent prices in 2020. EIA expects crude oil prices will be lower on average in 2020 than in 2019 because of forecast rising global oil inventories, particularly in the H1 of 2020.

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Customer Benefit

- The product is aimed at savvy investors who have long term investment objectives but desire appropriately higher returns than conventional investments like equities and bonds.
- Attractive returns

SAMTL REAL ESTATE INVESTMENT PRODUCT

SAMTL
STERLING ASSET MANAGEMENT & TRUSTEE LTD.

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Key Global Risks

For 2020, the key risks to dominate the outlook are simmering trade tensions, the ongoing Brexit saga, China's economic transformation, worries about a sharp market correction, historically massive piles of debt, or the usual geopolitical risks that could upend the best of projections. However, the balance of risks remains tilted to the downside, as in the October 2019 World Economic Outlook.

	RISK	DESCRIPTION	IMPACT
1	**Trade Wars**	Despite the preliminary agreement between the United States and China of a "phase one" trade deal that promises at least a cease-fire between the world's two biggest economies, the trade wars are far from over. Even if U.S. President Donald Trump and Chinese President Xi Jinping finally sign some sort of truce that will see a partial restoration of trade amity between the two countries, most of the tariffs the Trump administration imposed on China will remain in place	Would mean that about two-thirds of Chinese imports to the United States and more than half of U.S. exports to China will remain taxed at relatively high levels. That means a guaranteed, continued drag on U.S. manufacturers that rely on many of those goods as inputs for their own finished products, adding financial pain for firms, consumers, or both. The risk of a breakdown in trade talks with the U.S. cannot be ruled out entirely. A renewed escalation of trade tensions amid internal rebalancing will take the steam out of China's economy and increase the risk of a hard landing. China is a heavily indebted country; an increase in defaults could undermine consumer and market confidence. 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 %
	A no-deal Brexit	A likelihood of no-deal Brexit still exists	If the UK and EU fail to reach a trade agreement before the end of the transition period, the UK. would fall back into World Trade Organization rules. This would result in sizeable economic stress, a sharp decline in the pound's value and high inflation. This represents a significant risk for markets.

3	**Debt burden**	Corporate debt, household debt, or national debt, both in developed or developing economies is at record-high level	The sheer amount of global debt means that any financial market correction—whether triggered by continued trade wars or corporate bankruptcies and defaults or something else would have immediate impacts, especially on countries with few built-in shock absorbers In advanced economies such as the United States are potentially vulnerable, with a heavily indebted corporate sector. If corporate defaults rise, which could lead overvalued stock markets to plummet, that would have knock-on effects on consumer sentiment, which in turn would have huge impacts on U.S. growth expectations
4	**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.
5	**Geopolitical Risks**	There are concerns in the world, from ongoing tension among Iran and Saudi Arabia and the United States to spreading chaos throughout North Africa	Greater tension, or outright conflict with Iran as a result of the Trump administration’s maximum pressure campaign, would likely send oil prices higher, which would act as a brake on global growth Intensified protests in the broader Middle East and North Africa, coupled with renewed fighting in Libya and an adventurous Turkey, raise questions about the economic resurgence of many of the region’s emerging economies, themselves a key for global growth this year.

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