INSIGHTS FOR THE QUINTESSENTIAL INVESTOR

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NEW YEAR, BIG THEMES

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EDITOR'S NOTE

With a new year, new ideas and energies come to life. This, alongside the need to collaborate and share knowledge, has birthed my newest project, **Momento.**

Momento will be a monthly digest, with contributions from industry experts and business leaders that will cut across different fields of discipline, countries, and markets, providing insights, tools, and tips to the 21st-century investor and business leader.

In this issue, I'm a double-blessing, kicking things off with an article titled **New year, big themes** that highlight global macroeconomic themes that I believe could take center-stage as we progress further into the year. In **Corruption: The cost of business progress**, I delve into the numbers of the recently released corruption perception index, reinforcing an existing relationship with business progress, and by extension citizen's welfare.

Staying true to the knowledge-sharing goal, I have a few associates as contributing writers to this issue. **Ashutosh Shrivastava**, a healthcare entrepreneur and founder of Medivenue in India, on page 07 weighs in on Nigeria's vaccine acquisition strategy in **Nigeria's vaccine race dawdling**.

Ridwan Adetu is a financial trader who, from time-to-time, will be sharing insights on potential opportunities across various tradable assets. **Uncertainty in January-effect towards new liquidity**, on page 10, gives you a heads-up on what to expect in some financial markets, as well as price entry recommendations. Whether you are a retail or institutional trader, believe me, you will find his insights very useful.

Lastly, **Jeremiah Adesina** - an operational risk management expert - in **Making sense of conduct risk** (page 12) reminds us of the importance of promoting a healthy corporate culture if we are to remain in business

I hope this issue is an informative experience for you and meets your expectations. If you like what you see, please spread the word, I need your help to get everyone out there as excited about Momento as I am.

Your feedback is highly valuable to me, as such if you have suggestions or comments then feel free to drop me an e-mail at **info@mosopearubayi.com** to tell me what you think about this issue.

Have yourself a fabulous February everyone! Stay safe and order your ready-to-cook fresh produce on www.applecartng.com (Page 9), and take advantage of the five hundred naira (N500) discount.

I hope to see you outside soon, with a drink in hand. ***winks***

Mosope Arubayi

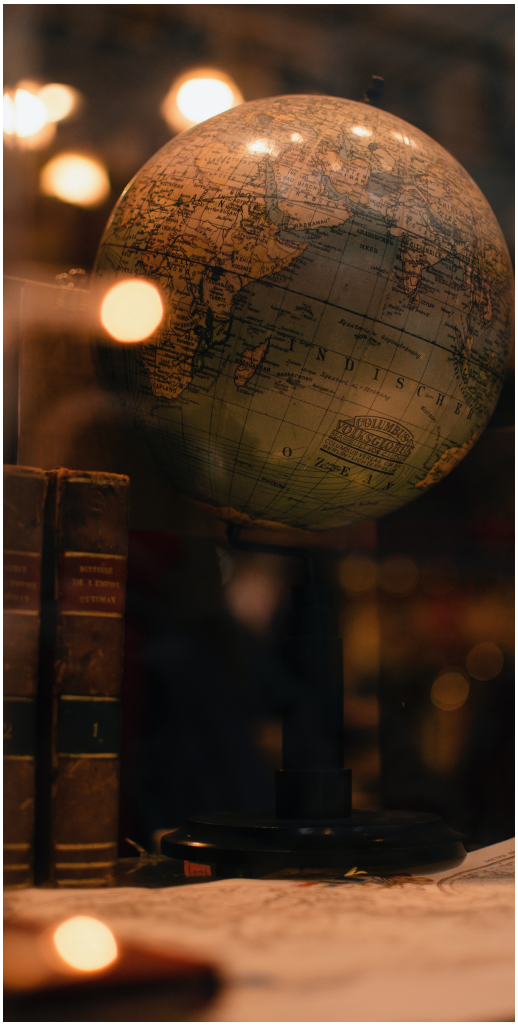
NEW YEAR, BIG THEMES

BY MOSOPE ARUBAYI

The year 2021 has gotten off to a bitter-sweet start on the global front. The de-escalation of the Gulf-Qatar tensions, the surge in Chinese demand, and the upbeat risk-sentiment that have supported rallies in emerging markets and commodities markets, have created a semblance of a return to stability. On the flip side, the adverse realities of Brexit are setting in around Europe and the UK while America's failed insurrection served as a subtle reminder that democracy is more fragile than many of us realize. And though it is hard-earned, can be easily lost even with the strongest of institutions.

Looking forward, the themes that are likely to shape the global dynamic include:

- **Vaccinomics**: The speedy and equitable distribution of vaccines is necessary to put an end to the vicious cycle of prolonged or renewed restrictions and stop-start recoveries.
- **K-shaped recovery**: Recovery will be uneven and split between industries and income groups. Some economic sectors will take much longer to recover than others while the income levels to the low and middle class will also take much longer to recover than the high income.
- **Biden-Harris pivot**: As America transitions from red-hot Trump to Biden's seasoned cool, all eyes will be on his foreign policy especially how he manages the prolonged duels with, China and Iran.
- **De-globalization**: The slow-paced recovery in global supply chains poses a threat to existing multilateral structures as more countries will institutionalize supply chain de-coupling policies for health and national security reasons and to reduce concentration risk.
- **Risk sentiment**: The expectation of a more diplomatic approach to the US foreign policy under the Biden administration and positive vaccine developments, could further bolster the current global risk-on sentiment and rub-off on international trade, emerging markets, and commodities pricing.
- **China**: From being the epicenter to being the economic outlier, China's deft in managing the pandemic positions it for a strong post-pandemic bounce as the country's industrial sector gathers pace to meet pent-up global demand.
- **Debt distress**: The reality of 2020's expansionary fiscal stance will set in, following the pandemic-induced debt binge. While the timing of the much-anticipated credit crunch is inherently unpredictable, a spate of restructurings is likely especially among emerging economies whose fiscal capacities are currently constrained by lockdowns and/or subdued external demand. Currently, EM debt account for around half of the world economy, and a full-blown debt crisis will have serious spillover effects on financial markets.



- **AfCFTA:** The kickoff of the regional trade agreement puts the region on the path to economic transformation. However, there are still pre-conditions that are yet to be met by some participating countries that will be fundamental to achieving the agreement's objectives.
- **E-commerce**: The technology solution (e-commerce) to the disruption of traditional retail structures will be even more sticky with consumers and is unlikely to go away brusquely. Uncertainty around the virulence of the mutant strains and vaccine distribution will fuel consumer anxiety, supporting the continued adoption of e-commerce.

From being the epicenter to being the economic outlier, China's deft in managing the pandemic positions it for a strong post-pandemic bounce as the country's industrial sector gathers pace to meet pent-up global demand.

NIGERIA'S VACCINE RACE DAWDLING

BY ASHUTOSH SHRIVASTAVA

The first 100,000 doses of Pfizer's COVID-19 vaccine will arrive in Nigeria by the end of January 2021. Frontline health workers and some high profile people have been penciled to get vaccinated. This first dose is free and that's great news. However, that is the end of the good news because subsequent doses are not likely to be free. Even with aid from the Bill & Melinda Gates Foundation, if Nigeria is lucky enough to get any more support, the Pfizer vaccine will be very expensive for an average Nigerian. So, what do we do?

Nigerian authorities are in talks with their counterparts in Dubai, where Chinese and Russian vaccines have been tested. They are contemplating the idea of getting those vaccines to Nigeria. This could be a little concerning because Chinese and Russian vaccines have been rolled out in their own home turf without passing the third trial. This does not give a lot of confidence as it is a matter of people's lives.

Nigeria has also requested 10 million vaccines from the African Union (AU) which the Health Minister, Osagie Ehanire, expects to get by March 2021. If they will arrive in time and in full is to be seen, as many of the countries in Africa are depending on supplies from the AU and as Nigeria is more capable of taking care of itself, it may be given a backseat.

Keeping an eye on that, the federal government released ₦10 billion ($26.27 Million) - which has now been suspended by the National Assembly - to start domestic production of the vaccine. Although this is a

well-intended move, the fact remains that most of the pharmaceutical drugs in Nigeria are not produced locally but are imported. This sends a strong signal that the government is committed to vaccinating its people, however, will need a little help with the best way to go about it. My suggestion, "go, talk to India".

India is giving out free vaccines under its strategic initiative "Vaccine Maitri (Bonding through Vaccine)" to forge better relationships with countries across the globe and strengthen its influence. This gesture is not been extended only to India's neighbours but also to countries as far and as big as Brazil. No other country in the African continent is more worthy of benefiting from such advances than Nigeria. It already has great relations with India and is in the best position to negotiate a deal that gets its first large shipment of free vaccines and following supplies at a very competitive cost.

The Indian vaccine is set to be used in Japan, so quality should not be much of a concern. And Not just that, India can help Nigeria in the local

Not just that, India can help Nigeria in the local production and supply chain management of the vaccine with its experience in dealing with quite a similar environment at home – population density, democracy, systems. South Africa & many East African countries have already inked deals (or are in the process) with the Indian government, as well as directly with Indian vaccine manufacturing companies. What's holding Nigeria back?

....the government is committed to vaccinating its people, however, will need a little help with the best way to go about it. My suggestion, "go, talk to India".

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UNCERTAINTY IN JANUARY-EFFECT TOWARDS NEW LIQUIDITY

BY RIDWAN ADETU

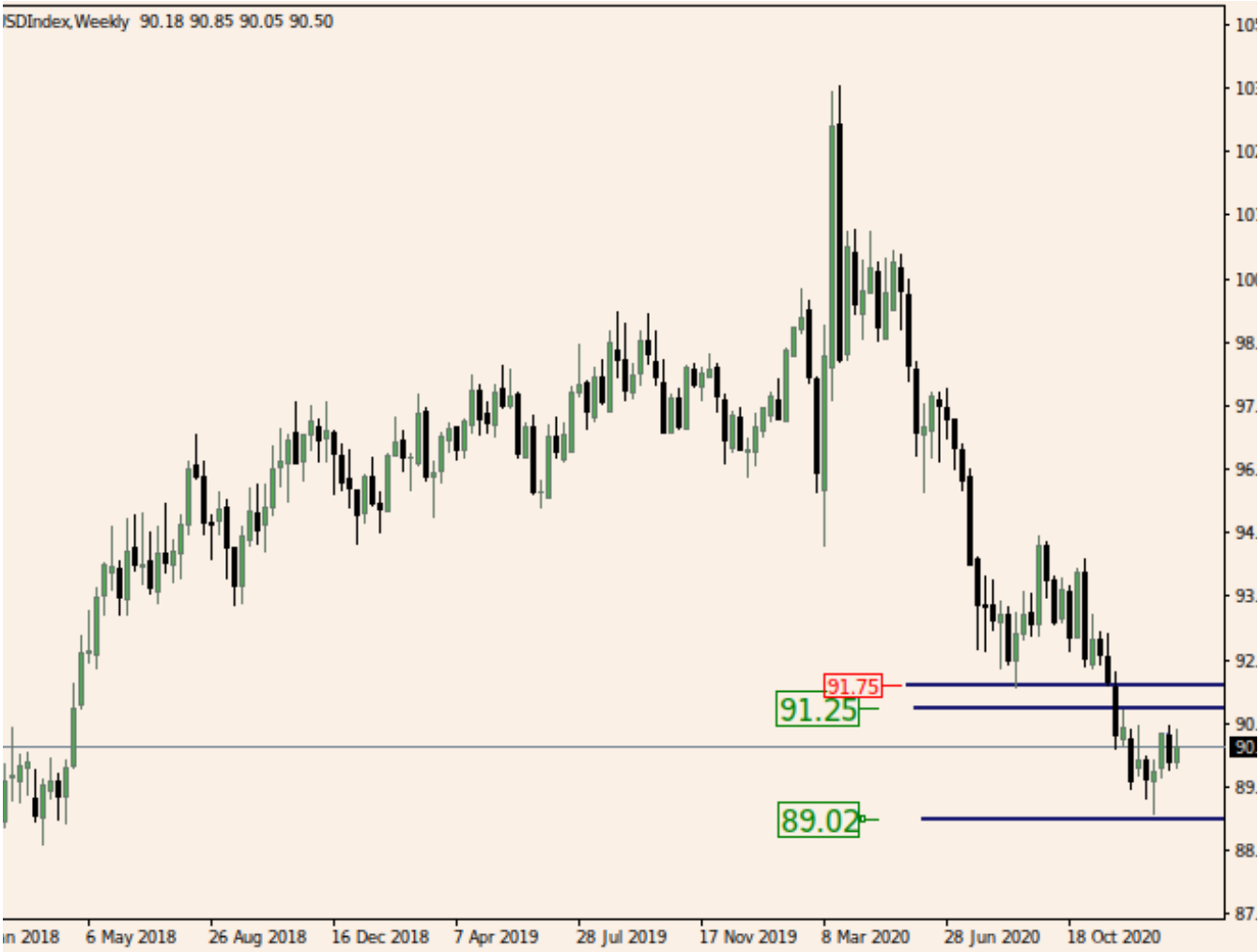
The month of January saw the inauguration of Joe Biden as the President of The United States. Investors are yet to price in the effect of Biden executive orders and policies in his few days in office.

The January effect had the market in a mixed state with erratic price action towards the end of the month. But, February would see an influx in large funds, which will invariably result in a predictable move in the marketplace.

The sentiment picture isn't clear yet, we had extreme one-sidedness in the major asset class, but few ended the month in a mixed state, which means February will tip the scales on market sentiment.

There has been an increase in the level of uncertainty on a large scale towards the end of January. An increase in the influx of funds will unfold towards low yielding currencies and haven assets.

The market has been in an extended consolidation through the end of 2020 spanning into 2021, this makes it difficult to decide the sentiment in the marketplace. However, on a longer-term basis, I expect the interest rate to keep falling in February.



US Dollar Index trading chart

Key events for the month of February that could result in volatility injection in the marketplace.:

- ISM Manufacturing PMI
- Non-Farm Payroll
- Core Retail Sales
- FOMC Meeting Minute
- French Flash Services PMI
- German Flash Manufacturing and Services PMI

The event that will set the tone for the markets is the FOMC meeting minutes.

I expect the Dollar to find some level of strength, and trade higher into the 91.751 level or just into the 91.751 and 91.249 price range. It should find resistance from one of these levels, before it trades lower towards the 89.016 level. The bears are expected to take charge.

If the Dollar moves to the projected levels, the Eurodollar could slide to 1.20104 price level, but it could appreciate to as much as 1.18912, before making a buy-side liquidity run to the 1.24128 level.

Agricultural products are expected to trade higher as the dollar loses steam, and wheat is a favorable commodity to trade if you are looking to make buy-side moves.

Wheat prices are expected to rise. Once price trades above the 672.6 level, I expect price to make a run back into the 672.6 level as a retracement, before making a bullish run to 727.4, possibly reaching 799.0.

I expect the S&P500 to continue its decline in February. I expect a mild price retracement to the 3739.8 before it drops. Price could go as low as 3484.2.

The event that will set the tone for the markets is the FOMC meeting minutes.

MAKING SENSE OF CONDUCT RISK

BY JEREMIAH ADESINA

Following the financial crisis of 2007-2009, there were significant changes in the approach taken toward financial services regulation around the world. While the immediate priorities involved stabilizing firms' balance sheets and implementing liquidity and capital reforms, the regulators' attention has since shifted towards understanding the behavior of organizations and how they conduct their businesses.

Conduct risk is an evolving subject traditionally defined as the risk of a company's activities having a detrimental impact on customers or negatively impacting market stability with subsequent damage to the reputation of the company and to the achievement of its strategic objectives. The current perception describes Conduct Risk as the risk of malfunctioning controls and operations due to human behavior with a particular focus on the corporate culture and ethical behavior of employees and managers.

The narrative above brings the issue of people as a major driver of operational risks to the front burner. In many circles, especially in the world of financial services and risk management, there is a consensus that bespoke IT systems, perfectly designed processes, and favourable external conditions may be rendered useless when humans fail. This failure of the human input in the production process has defied all traditional measures to salvage it or to contain it as can be seen in recent corporate failures. Hence, thought leaders and regulators are once again

Organizations should also look out for potential market abuse and actively seek to prevent actions that prioritize the endgame at the expense of the means.

devoting more attention to an inquiry into the conduct of corporate entities and how sustainable practices can be used to champion a positive trajectory.

The fair treatment of customers and market integrity must always be at the center of a firm's corporate culture and its business activity. After all, customers are the heart of the business and there is no better way to grow a business than having satisfied customers.

To manage market behavior and its impacts, the starting point is to determine conduct risk parameters and criteria for periodic assessment of conduct risk. It is believed that what cannot be measured cannot be managed.

Organizations should also look out for potential market abuse and actively seek to prevent actions that prioritize the endgame at the expense of the means. The concept of social responsibility and sustainable practices have a significant influence on how this is achieved.

Also, proactive measures must be extended to the product management process. Organizations should include conduct risk considerations into new product development, evaluate and control sales incentive programs, ensure customer onboarding processes are fully compliant, monitor product suitability actively at all client relationship stages, and regularly educate staff on product suitability issues.

Firms should seek to promote good behaviour across all aspects of their organization and to develop a culture in which there is no room for misconduct. This would be achieved by striving to establish an ethical voice as "the Tone at the Top" that will stimulate compliance awareness and improve employees' commitment to achieving proper conduct.

CORRUPTION: THE COST OF BUSINESS PROGRESS

BY MOSOPE ARUBAYI

The corruption perception index reading for 2020 was recently published, revealing deteriorating corruption levels in a few high-scoring countries. The recent election meltdown in the United States, as well as alleged conflict of interest and abuse of office, contributed to the continued downtrend of the country's score. This underscores the fact that no country is free of corruption, hence the need to build strong oversight institutions to be able to put corrupt practices in check and better respond to future crises.

Corruption poses a threat to citizen's lives and livelihoods. The publication strengthens existing evidence of a correlation between corruption and business progress, and by extension poverty. Each mandatory business procedure represents an opportunity for a bribe. The fewer interactions with government bureaucrats, the less the opportunity for corruption.

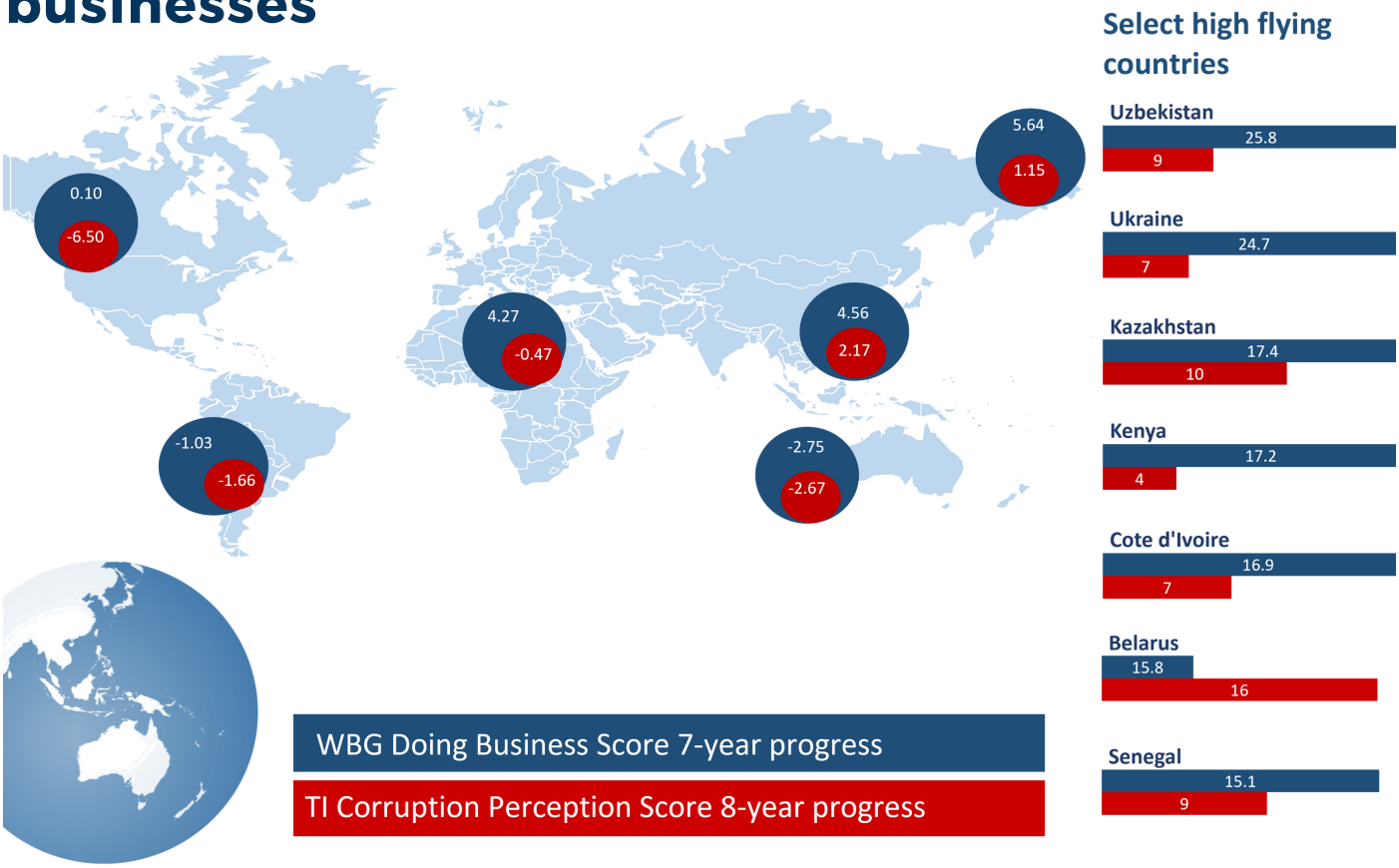
Plotting the data points of the corruption perception index and the doing business index, over an extended period reveals that to a large extent, countries and/or regions with a high corruption incidence are more likely to experience sluggish business progress or outrightly have it deteriorate. Countries in North America, Oceania, and South America have seen a deterioration in their corruption levels over an eight-year period. This has limited the extent of business progress in North America and caused a deterioration in the business environments in Oceania and South America.

The Asian and European regions, where the anti-corruption fight is taken a bit more seriously, has seen significant progress in their business operations. From the mid-2010s Kazakhstan doubled down on its anti-corruption efforts by carrying out several institutional reorganizations of its anti-corruption agency, embarking on a civil service reform, extending the provisions of its anti-corruption law to prevent and manage conflict of interest, among other notable reforms. Belarus also embarked on procurement reforms, made scapegoats of high-profile perpetrators, and tightened anti-corruption regulations to make punishments more stringent.

Africa, the outlier, has seen a rise in anti-corruption regulation but enforcing penalties has met systemic brick walls. The anti-corruption campaigns in Africa have been more of a populist tool for public service holders rather than an actual will to get rid of the menace. This is further reinforced by the pseudo democracies prevalent in the region that constrain political freedom and have taken the power of consequences away from the people. Therefore, corruption incidences are still prevalent in the region - albeit lower when compared to the Americas and Oceania.

Despite this, Africa still ranks high in the easing of doing business ranking on the regional level. Does this mean that businesses are happy doing business in the region by exploiting its systemic inefficiencies? Corruption eats everything. High levels of corruption act like a further tax on businesses and tend to increase business costs. This has implications for consumer welfare as these costs are typically passed on to consumers (inflation), especially if demand for the associated products or services are less sensitive to changes in prices.

High levels of corruption act like a further tax on businesses



Continental assessment of business progress

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