

INSIGHTS FOR THE QUINTESSENTIAL INVESTOR

momento



**A LONG WALK TO
EQUALITY**

**NIGERIA: ANOTHER
DOMINO WAITING
TO FALL?**

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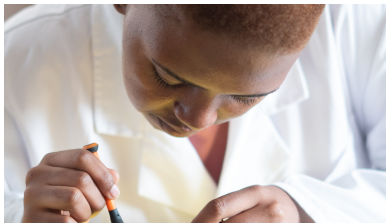
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EDITOR'S NOTE



Over a year of lockdowns and restrictions, it is difficult not to be anxious. So much is going on simultaneously, on the road to recovery. International and intranational geopolitics, insecurity, hunger and deteriorating welfare—especially for vulnerable groups, personal and national financial distress, consumer and asset price inflation, vaccine access inequity, all on the back of growing health and pandemic concerns. Phewww!!!! If you feel overwhelmed, you are probably not alone.

In this month's issue of *Momento*, my contributors and I weighed in on some of these worrisome issues. **Abdulazeez Kuranga** (aka Mr. IMF) weighed in on the sustainability of Nigeria's debt in **Nigeria: Another domino waiting to fall?** (Page 07), in the light of the recent approval by the country's Senate of external borrowings to the tune of \$2.7bn. In **A long walk to equality** (Page 05), I looked at how much progress has been made – prior to the pandemic – in closing the gender gap, and how the pandemic has erased some of that progress.

Amid the general pessimism, our state of health has become even paramount. Considering this, **Damola Davies** – a trained pharmacist – shared some facts about peptic ulcers in **Busting the ulcer myth** (Page 12) and suggested ways to manage the condition, nursing your body back to health. If you have a knack for unconventionality and like to make money, then **Much ado about cryptos** (Page 10) is a write-up you will be interested in as it speaks to the improving sentiment around the cryptocurrencies ecosystem and holds my thoughts on the possibility of currency substitution.

Like past issues, I hope you find this issue interesting. I cannot appreciate you enough for sparing some of your time to read the thoughts and opinions expressed in *Momento*. You – our avid readers – are the real MVPs, and I hope I can retain your interest for much longer. As usual, I am reachable via my email – info@mosopearubayi.com – in case you have any questions, queries, complaints, and/or suggestions that you would like to share with me.

Until next month's issue when I hope things will be looking up from where they currently are, stay healthy, hydrated, and remember to always think about the things that make you feel good.

Mosope Arubayi

Conversations about equality have been gradually gaining momentum over the last few years, fueled by national social movements, including #BlackLivesMatter and #MeToo. Inequality is a multifaceted problem that cuts across many industries. Companies are increasingly talking about inclusion as a desired cultural norm while public figures – like Ryan Reynolds and Dwayne Johnson – are unashamedly lending their voices to social movements that promote equality.

Gender gaps are the most prominent social imparities. As evaluated by the World Economic Forum (WEF) in 2020, an average gender parity of 69% has been achieved globally thus far, a marginal improvement from 2018’s 68%. This implies that to date, there is still a 31% average gender-based disparity that remains to be closed. Europe and the Americas appear to be closing the gender gap much faster than their African and Asian counterparts, who fall below the world average.

While parity is close to being achieved in health (97%) and education (96%), women are severely under-represented in politics (25%). The fact that only a handful of countries have closed at least 50% of their political empowerment gaps demonstrates how, globally, women’s presence and participation in politics is still extremely limited. But gender earnings gaps are a more topical conversation.

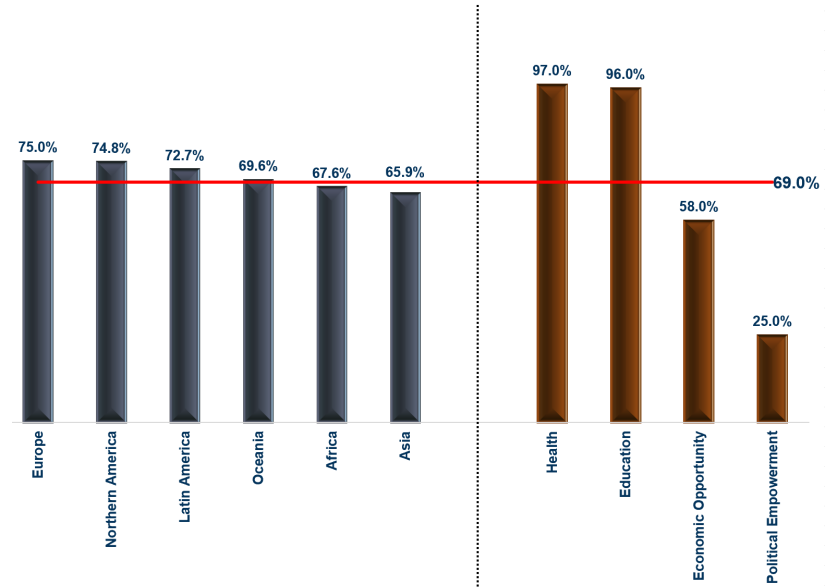
According to the WEF, 58% parity has been achieved thus far in terms of economic opportunities for women. Women are among the historically, socio-economically disadvantaged groups that feel the brunt of economic crisis. Women’s economic security is undermined by a myriad of factors – including the disproportionate amount of time they spend on unpaid work – as well as undervaluing of their traditionally female-

A LONG WALK TO EQUALITY

BY MOSOPE ARUBAYI

dominated paid-care work. Disproportionate pay impacts women in all industries. A study by UN Women found that, globally, women earn only 77 cents for every dollar earned by men for work of equal value.

Pay equality remains, irrefutably, decades away and a concerted effort is clearly needed. While some progress may have been recorded in improving pay parity, the United Nations reports that it could take a quarter of a millennium for women to be paid equal to men, at the current rate. Closing this gap is a systemic issue. The pandemic has also setback earlier gender equality progress, not just in terms of pay gaps, but also in labour force participation and unemployment rates. The current situation is far from sustainable and it is imperative to promote equal pay – and access to opportunities – for all, including people with disabilities who tend to earn less than those with no disabilities.



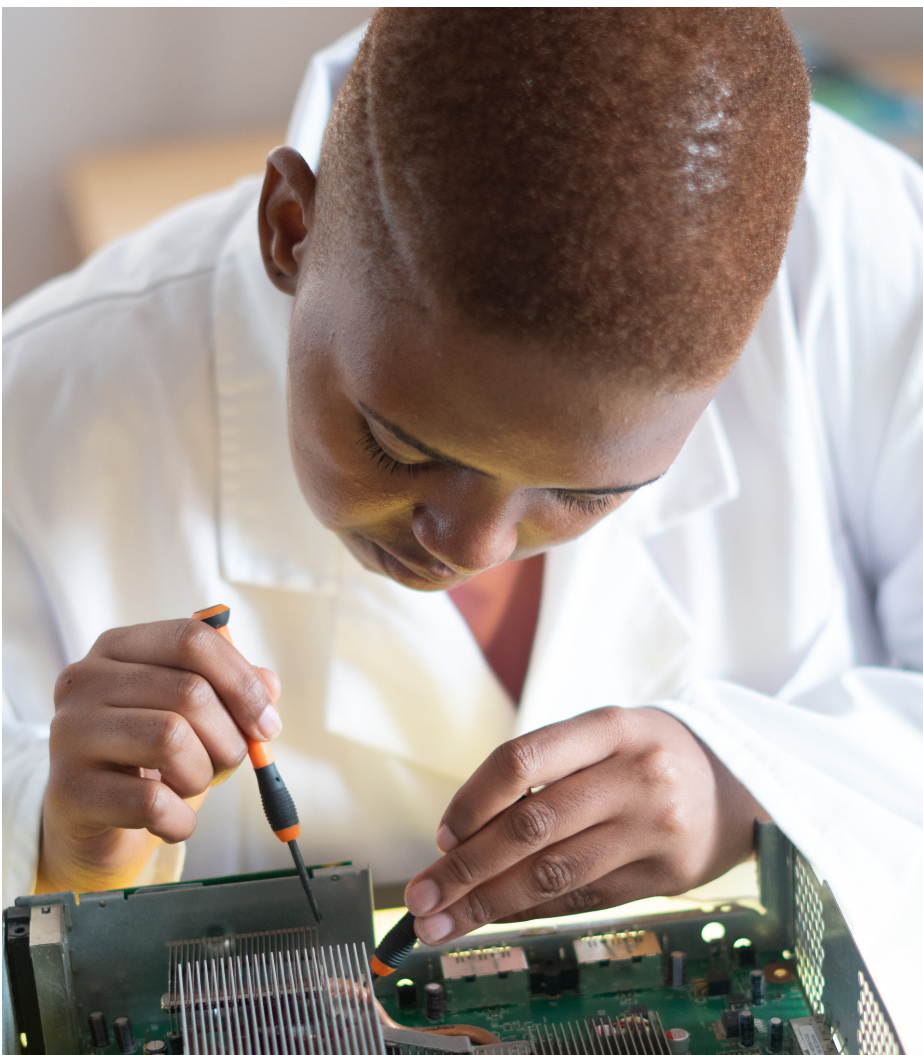
WEF Gender Gap Index (2020)

The fight against disparity may seem like a long one, but we are more likely to win when working together and as parts of strong, supportive, global networks. Changing these systemic injustices will not happen spontaneously, but it is possible. Thinking beyond equal compensation to equal opportunities, employers that allowed employees to work from home during the pandemic might be more open to conversations about long-term remote work in the future. This will be a major win for caring moms and physically challenged persons.

Education opportunities must be accessible to all, and efforts to eliminate societal biases and disparities must be implemented. Moreover, employers must stop perpetuating practices that enable fundamental unfairness to endure. Institutional investors, shareholders, and policymakers can become active proponents of equality – increasing pressure on boards to fulfill their oversight role. Laws prohibiting employers from asking about applicants' salary history and, in some cases, prevent employers from using an applicant's pay history to establish an offer could limit further disparity in earnings.

But as you are looking to graduate and join new jobs for full-time positions, or are eyeing summer internships and co-ops, or closing out another fiscal year at our current organization or finalizing your contracts for your new roles, remember to do your research into understanding how your pay compares to market standards. And there could be no better day to do so than today!!!

The fight against disparity may seem like a long one, but we are more likely to win when working together and as parts of strong, supportive, global networks.



NIGERIA: ANOTHER DOMINO WAITING TO FALL?

BY ABDULAZEEZ KURANGA

The dialogues around Nigeria's debt sustainability are unending, especially with the recent approval of \$2.7 bn worth of external borrowing by the Senate. Debt sustainability assessment involves measuring the near-term (liquidity) and long-term (solvency) capacity to meet future debt obligations.

When compared with the IMF's Debt Sustainability Assessment (DSA) threshold for lower-middle-income countries in 2017, Nigeria's Debt Management Office (DMO) has consciously been managing Nigeria's external debt to ensure it remains below the threshold. Specifically, Nigeria's external debt to GDP ratio averaged 6.3% between 2017 and 2020 – significantly below IMF's threshold of 40.0% for countries in Nigeria's peer group.

With this, the country has avoided negative external debt ratings from global rating agencies. The ratings have influenced the country's over-subscribed outings in the external market as well as its lower rate of interest, compared to domestic interest rates. Therefore, the majority of the debt sustainability concerns emanate from the domestic space. Over the same period,



Nigeria's total public debt-to-GDP averaged 19.7%.

An external debt-to-export ratio of 300.9% in 2020 (2017-2019 average: 207.9%) saw Nigeria breach the IMF sustainability threshold of 250%, for countries in Nigeria's peer group. The breach was triggered by a 41% slump in exports in 2020, on the back of weak oil market fundamentals. The breach suggests a moderate risk to Nigeria's solvency, should adverse external shocks of a similar magnitude become more frequent.

Nigeria's revenue profile remains weak due to structural and policy inefficiencies. Domestic revenue mobilization is constrained by its large informal sector, which leaves room for revenue leakages. The weak revenue profile continues to impair the country's ability to service its current obligations, dimming its capacity for future obligations, in the wake of the government's expansionary fiscal stance.

For instance, the total public debt service-to-revenue ratio has more than doubled from an average of 32.5% between 2013 and 2016 to an average of 66.7% between 2017 and 2020, as

With the outlook for revenue and debt tilted to the downside, coming out of the current conundrum will require strong political will – to implement and drive reforms – and fiscal discipline.

the government continues to rely on CBN's "ways and means" advance to augment its revenue shortfalls - instead of broadening the tax net and ensuring tax compliance. In the same vein, the external debt service as a percentage of total revenue is on course to exceed the IMF threshold of 20.0%, surging from 6.8% in 2017 to 14.0% in 2020.

The major stumbling blocks to Nigeria's revenue performance include misaligned policies in booming sectors of the economy, multiple taxations systems, lack of policy coordination between fiscal and monetary authorities, and infrastructural deficiencies. The unhealthy business environment, no thanks to the government's inefficient policies, weakens the prospects of broadening the corporate tax net. With the outlook for revenue and debt tilted to the downside, coming out of the current conundrum will require strong political will – to implement and drive reforms – and fiscal discipline.

Nigeria increasing exposure to market finance shocks – via its borrowing spree –, signals looming danger. If a deliberate effort is not made to stimulate the economy above population growth, while substantially reducing the cost of governance, the country may just be another domino waiting to fall in the looming global debt crisis.





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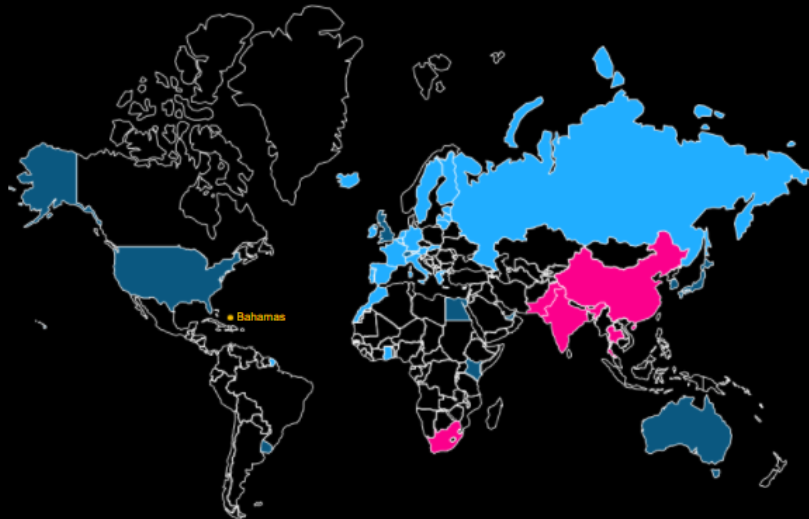
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Digital Ambitions

Central banks are at varying stages of developing digital currencies

- CBDC already being issued
- Plans to issue CBDC
- Actively exploring CBDC feasibility
- Conducting research and/or experiments



Source: Bloomberg

*CBDC - Central Bank Digital Currency

MUCH ADO ABOUT CRYPTOS

BY MOSOPE ARUBAYI

A financial revolution is underway. Tesla cars can now be purchased with bitcoin and prominent investment managers are including cryptocurrencies into their portfolios. In another landmark moment in cryptocurrencies making history, the biggest US cryptocurrency exchange – Coinbase (COIN)- went live with its direct listing on Nasdaq. You can say Coinbase took the revolution to the castle as it became an instant Wall Street financial giant on its debut, garnering a value that exceeds the values of the stock exchanges on which it will trade i.e., the Nasdaq and the NYSE.

The monumental listing lends validity to the crypto ecosystem, especially as various global

monetary and financial professionals continue to brainstorm on how to bring cryptocurrencies and their underlying technology – blockchain – to the mainstream. No less than 80 central banks are looking at digital currencies while the Bahamas and China are ahead of the pack with the launch of the Sand Dollar and e-Renminbi, respectively. While much of our lives are being lived digitally, the financial sector would need to catch up sooner or later. As such, Central banks cannot distance themselves from cryptocurrencies for much longer. They must either plug into the ecosystem or compete with it. Regulators tend to move slowly, and crypto markets do not, so they will always play catch up.

The risk of currency substitution however looms large in countries with high inflation and weak local currencies. The recent slides in the Turkish Lira, on the back of its rising inflation, have caused people to pile into bitcoin as an alternative store of value. A similar scenario played out in Zimbabwe's five years back – during a phase in its hyperinflation episode – when young Zimbos turned to bitcoin to preserve their money's worth. Little wonder, African countries have some of the biggest crypto economies, following a series of

economic tantrums that have scarred their economies over the past decade. Nigeria's crypto adoption, for instance, is one of the highest in the world.

But regardless of all the positive buzz around cryptocurrencies, they still do not qualify to be a threat to fiat currencies as they do not check the boxes of stability, compliance, and safety, which could make them pass for money. They are also not your gold 2.0, even though its global market capitalization may stand at 10% of gold's market capitalization.

The cryptocurrency ecosystem is maturing rapidly, no doubt, but cryptocurrencies remain a very speculative asset class with tremendous volatility. COIN's listing may be a watershed moment for the crypto industry because it gives conventional investors, who may be skeptical to invest directly in risky digital currencies, the ability to own stock in a SEC-approved company that enables crypto transactions. However, the price of COIN will be very volatile, and you should expect it to fluctuate with the prices of cryptocurrencies.

So, central banks are not likely to lose their monopoly regulatory status of their financial systems in the near or distant future. However, in building crypto infrastructure and regulation, they still need to protect the things they are charged with protecting, while also respecting the freedom of consumer choice to transact via whatever medium they find convenient.

Cryptocurrencies have use cases that will come to fruition over time and by joining the ranks of listed companies, Coinbase has put crypto market businesses in the big leagues. They now have a place in the conventional capital market, and this is where the real impact on adoption starts.

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BUSTING THE ULCER MYTH

BY DAMOLA A DAVIES

Do you think that peptic ulcers are caused by poor nutrition or stress? Sorry to burst your bubble, but a bacterium is the primary culprit. For many years, the diagnosis and treatment of peptic ulcers were flawed until the 80s when an Australian scientist discovered that the underlying cause of peptic ulcers was the *helicobacter pylori* bacteria (also known as H pylori).

In a smaller percentage of cases, however, peptic ulcers could result from complications associated with the abuse of non-steroidal anti-inflammatory drugs (NSAIDs) such as Diclofenac, Ibuprofen, Naproxen, Aspirin. Not only can these NSAIDs cause ulcer, but they can also worsen existing symptoms.

About 50% of the world's population is estimated to be carriers of the H pylori bacteria, although not everyone who carries these bacteria becomes ill from it. The most prevalent mode of transmission is from person to person, by either the oral-oral route or perhaps the fecal-oral route - probably due to fecal contamination of food and/or water. The direct transmission between persons is supported by the higher incidence of infection among children and adults and the clustering of H. pylori infection within families.

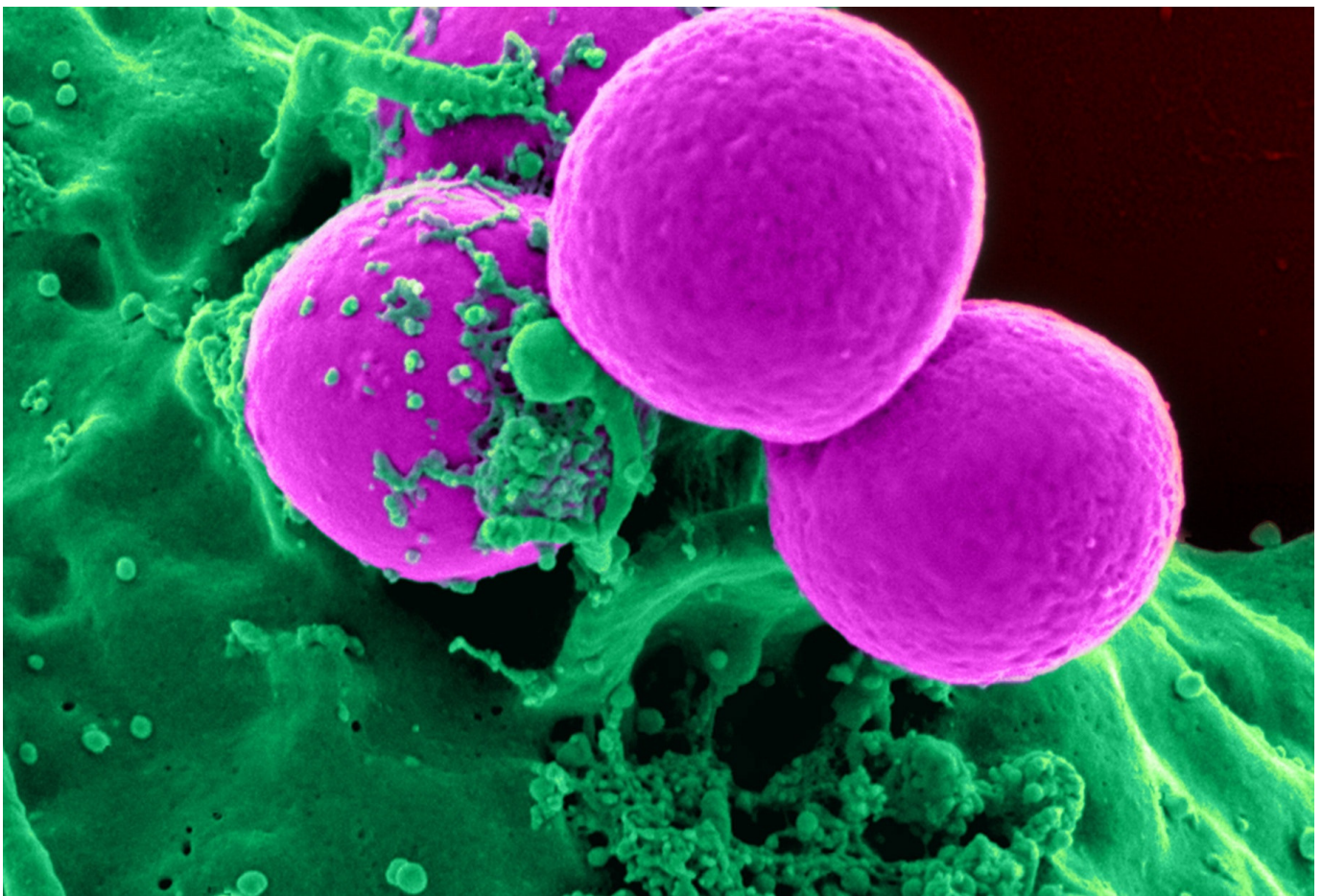
Peptic ulcers occur when stomach acid damages the lining of the digestive tract, that have already been weakened by the presence of H pylori or NSAIDs. Many people with peptic ulcers are asymptomatic. However, noticeable symptoms of peptic ulcers range from mild to severe. Mild symptoms include upper abdominal pain (which is a common symptom), heartburn, indigestion, nausea, passing excessive amounts of gas, or vomiting. Left untreated for a while, more severe symptoms such as vomiting blood, tarry stools, shortness of breath, appetite loss, and unexplained weight loss may begin to manifest. An unwanted complication of stomach ulcers is a perforation of the stomach lining. This is a serious complication because stomach bacteria escape and infect the lining of your abdomen (peritoneum).

Peptic ulcers are of three types: ulcers that develop inside the stomach (gastric ulcer), ulcers that develop inside the esophagus (esophageal ulcer), and ulcers that develop in the upper section of the small intestines i.e., the duodenum (duodenal ulcer). A combination of ulcers in the stomach and in the duodenum culminates in a gastroduodenal ulcer. Diagnosis can be done through an assessment of symptoms, testing for the presence of H pylori (through blood or feces), running an abdominal scan, barium swallow, and endoscopy.

Ulcer treatment usually depends on the cause of the ulcer. But the good news about treating an H. Pylori infection is that it can cure ulcers and prevent a recurrence. Treatment usually includes a cocktail of medication to eradicate the bacteria and decrease stomach acid production. Above all, diets have a lot to do with ulcer healing. Certain foods such as spicy meals, fries, chocolate, processed foods, etc. should be avoided while vegetables should be consumed more to help the ulcer heal quickly.

Ulcers do not just happen; they are a consequence of previous decisions and actions. While they may not be primary causative agents, risk factors that increase the chances of coming down with an ulcer include smoking, drinking alcohol, having untreated stress, and eating spicy food. Always remember that cumulative actions define inabilities; the inability to do what you like, even when you crave so much for just a bite of the moment. As much as you can, eat right, indulge with moderation, and more importantly, do not ignore symptoms.

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