Weekly Market Summary

Lotus Capital

June 23 , 2023

Highlights

- Nigeria: FAAC disbursement up by 20%.
- NGX All Share Index up by 0.35% w/w.
- Treasury Bills Maturity and FAAC distribution floods market with liquidity.
- BoE hikes rate by 50bps.

Economic Data	23-06-23	16-06-23	WoW	YTD
NGXASI	59,206.63	59,000.96	0.35%	15.52%
NGXLII	3,955.45	4,005.85	-1.26%	22.05%
Market Cap (₦'bn)	32,236.73	32,126.31	0.34%	15.48%
Official Exchange Rate (₦/$)	753.51	645.99	**16.64%**	**67.80%**
Oil Prices ($'pb)	73.85	76.61	-3.60%	-14.32%
External Reserves ($'bn)	34.35	34.62	-0.77%	-7.35%
LC Managed Funds				
Halal Investment Fund (₦)	1.77	1.77	-0.31%	9.68%
Halal Fixed Income Fund (₦)	1,195.07	1,193.49	0.13%	4.74%
Lotus Halal Equity ETF (₦)	19.87	20.12	-1.22%	28.02%

NIGERIAN MARKET UPDATE

Nigeria: FAAC Disbursement Up by 20%.

In May 2023, the Federal Accounts Allocation Committee (FAAC) disbursed ₦786.161bn to the federal, state, and local governments, showing a significant increase of 20.2% compared to the previous month. The Federal Government received ₦301.889bn, State Governments received ₦265.875bn, and Local Government Councils received ₦195.541bn. Additionally, ₦22.855bn was shared among oil-producing states as derivation revenue.

The revenue consisted of ₦519.545bn from distributable statutory income, marking a 42% increase from April, and ₦251.607bn from distributable Value Added Tax (VAT) revenue, which saw a growth of 24.09%. We predict a positive trajectory in statutory revenue and FAAC allocations, attributing it to the removal of subsidies and the devaluation of Naira, thereby reducing planned deficits. The implementation of the VAT Modification Year Tariff Order 2021, encompassing diesel consumption, is expected to contribute to higher tax earnings in June. This indicates a promising outlook for revenue generation and government allocations through FAAC in the near future.

Nigerian stock market Sustains Weekly Gain as ASI inch up by 0.35% w/w.

The local stock market sustained its positive momentum, driven by bargain hunting activities. As a result, the NGX-ASI gained 0.35% w/w, pushing the market capitalization up by ₦1.67tn to settle at ₦32.24tn. The year-to-date return also improved to 15.48% from 15.09% in the previous week. Activity level weakened for the week, as turnover volume and value weakened by -21.21% and -10.33% w/w respectively, as 3.369 billion shares valued at ₦41.986 billion exchanged hands in 39,764 deals.

The Insurance sector led the gainers with a 3.2% w/w increase, driven by the price surge in WAPIC (+28.8%) and CHIPLC (+25.5%). Trailing, the Oil & Gas and Industrial Goods indices rose by 3.0% and 2.6% w/w respectively, attributed to buying interest in ETERNA (+14.9%), SEPLAT (+3.0%), BUACEMENT (+4.7%), and DANGCEM (+1.2%). Similarly, the Banking and Consumer Goods indices gained 1.1% and 0.2% w/w respectively, on the back of price appreciation in UBN (+4.3%), ZENITH (+3.2%), HONYFLOUR (+4.6%).

Looking ahead, we maintain a cautious outlook on the equities market as we expect profit taking activities to commence owing to weaker activity level and weaker market breath which declined to 0.4x vs 1.0x previous as 59 stocks gained, 35 lost, and 57 were unchanged.

Money Market: Treasury Bills Auction Pushes Overnight Rate Lower

In the week, High liquidity from FAAC allocation and treasury bills maturity kept money market rates at low double digits, as the open repo rate (OPR) slumped by 7500 basis points to settle at 2.90%, while the overnight rate stood at 3.40%, a 7190 basis points decrease from the level last week.

GLOBAL MARKETS

Global Equities Market: BoE Hikes Rates by 50bps.

U.K. inflation came in hotter than expected in May, as consumer prices rose by an annual 8.7%, unchanged from the previous month. On a monthly basis, headline CPI increased by 0.7%, while core inflation which excludes volatile energy, food, alcohol and tobacco prices — gained by an annual 7.1%, up from 6.8% in April and the highest rate since March 1992, according to the Office for National Statistics.

The current reading reflects the presence of sticky inflation amid persistently tight labour market. This inflation data is expected to influence the Bank of England's' interest rate decision at its monetary policy committee meeting expected to hold next week. The UK's benchmark lending rate currently stands at 4.5%, with analysts forecasting a 25bps increase to interest rates at the committee's next meeting.

This is also expected to impact negatively on imports from the UK into Nigeria, as Nigerian importers pay more for UK goods, thereby importing inflation as they transfer increase in prices to local consumers.

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