

Weekly Market Update.

March 31, 2023



Equities Report

Commentary

NGX All-Share Index ends first quarter positive, up 5.82% Ytd

In the last trading session of the week, the local bourse extended losses as the All-Share Index declined by 0.33% to close at 54,232.34 points. Profit in Telco heavyweight, AIRTELAFRI (+4.15%) was offset by selloffs in Tier-1 banking names, ZENITHBANK (-0.19%), GTCO (-0.20%) and FBNH (-0.45%). Having lost in three (3) out of the five (5) trading sessions this week, the ASI closed 1.20% lower w/w.

Over the course of the week, AIRTELAFRI (-4.50% w/w), DANGCEM (-6.25% w/w) and SEPLAT (-4.17% w/w) were the major drags on the broader index offsetting gains in MTNN (+1.69% w/w), BUAFOODS (+3.03% w/w) and ZENITHBANK (3.61% w/w). Consequently, the year-to-date (YTD) return fell to 5.82%, while the market capitalization shed ₦359.65bn w/w to close at ₦29.54trn.

Analysing activity levels, trading volume, and value increased by 22.6% w/w and 58.7% w/w, respectively. While, sectoral performance was mixed, as the Banking (+3.63%), Insurance (+1.62%), and Consumer Goods (+0.95%) indices closed higher while the Industrial Goods (-3.19%) and Oil and Gas (-2.02%) indices declined. Finally, the Pension and Premium index also advanced by 1.27% and 2.89% respectively

This week as investors mood were influenced by positive results releases, we expect this to trickle into the new week. However, this will be dependent on further positive financial results releases. In the near term, we expect investors' sentiments to be influenced by developments in the macroeconomic landscape and the movement of yields in the fixed income space. Notwithstanding, we advise investors to take positions in only fundamentally justified stocks as the unimpressive macro story remains a significant headwind for corporate earnings.

Key Market Statistics

Metrics	Outcome
NGX All-Share Index	54,232.34
Friday's return	-0.33%
WTD	-1.17%
MTD	-2.81%
YTD	5.82%
52-week High	55,985.47
52-week Low	43,393.20
Market Capitalisation (N'Trillion)	29.543

NGX-Key Sub-Index

Metrics	Outcome	w/w Chg. (%)	YTD (%)
NGX 30	1933.29	-1.20	4.93
NGXBNK	452.97	3.63	8.50
NGXCNSMRG	702.74	0.95	19.32
NGXIND	2456.45	-3.19	2.21
NGXINS	177.51	1.62	1.81
NGXOILG	510.83	-2.02	10.45
NGXPENSION	1906.49	1.27	6.35
NGXPREMIUM	5280.16	2.89	11.97

Top 5 Trades by Volume (31st March 2023)

Ticker	Volume	Market Volume
TRANSCORP	287,681,866	15.61%
FIDELITYBK	86,393,117	10.82%
UBA	38,997,215	10.20%
NGXGROUP	25,398,851	9.32%
OANDO	21,800,093	6.48%

Top 5 Gainers (31st March 2023)

Ticker	Pclose	Close (NGN)	Change
LASACO	1.00	1.10	+10.00%
IKEJAHOTEL	1.11	1.22	+9.91%
CHIPLC	0.62	0.68	+9.68%
UACN	8.75	9.55	+9.14%
NNFM	11.00	11.95	+8.64%

Top 5 Trades by Value

Ticker	Value NGN'000	Market Value
NGXGROUP	685,065,631.15	25.30%
AIRTELAFRI	492,093,465.90	17.01%
FIDELITYBK	450,902,616.04	9.59%
TRANSCORP	395,363,727.58	6.70%
UBA	323,602,383.80	6.31%

Top 5 Losers

Ticker	Pclose	Close (NGN)	Change
CWG	0.96	0.87	-9.37%
CAVERTON	1.07	0.97	-9.35%
TRANSCORP	1.50	1.39	-7.33%
UCAP	11.60	11.20	-3.45%
CUTIX	2.30	2.24	-2.61%

5-Days Market Summary

Date	Days	NSE ASI	% Change	Volume	%Change	Value (NGN)	%Change	Gainers	Losers
27-Mar-23	Monday	53,750.77	-2.08%	100,882,822.00	-26.66%	4,342,394,278.83	12.11%	5	21
28-Mar-23	Tuesday	53,124.63	-1.16%	202,850,185.00	101.08%	2,052,956,191.66	-52.72%	16	9
29-Mar-23	Wednesday	53,603.80	0.90%	236,066,958.00	16.38%	3,258,915,440.27	58.74%	22	14
30-Mar-23	Thursday	54,413.21	1.51%	973,642,627.00	312.44%	4,227,159,887.82	29.71%	23	10
31-Mar-23	Friday	54,232.34	-0.33%	557,933,215.00	-42.70%	3,680,559,240.63	-12.93%	20	14

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Money Market, Fixed Income

Commentary

Money Market

During the week, the overnight (OVN) rate remains elevated at 18.88%, amid the inflows from FAAC disbursement (NGN453.61 billion), FGN bond coupon payments (NGN131.20 billion), and OMO maturities (NGN40.00 billion). However, we've seen the standing lending rate doing an average of NGN577.6 billion during the week, improving liquidity in the system. Nonetheless, we highlight that the average system liquidity settled at a net position of NGN674.3 billion (vs a net position of NGN361.0 billion in the previous week).

In the coming week, we expect the system liquidity to remain pressured in the absence of any significant inflow into the financial system. Thus, the OVN rate is likely to trend higher next week.

Fixed Income Market

Bond

The FGN bonds secondary market closed this week on a bearish note as investors sold their positions across the curve following the release of the Q2-23 bond issuance calendar where the DMO replaced the 2037 and 2049 bonds with the 2042 and 2050 bonds. Accordingly, the average yield expanded by 37bps to 13.6%. Across the benchmark curve, the average yield expanded at the short (+83bps), mid (+21bps), and long (+27bps) segments following selloffs of the MAR-2024 (-321bps), APR-2032 (-48bps) and JAN-2042 (-42bps) bonds, respectively.

We maintain our view that the significant borrowings expected from the FG for the year will result in an uptick in bond yields in the medium term, as investors demand higher yields in the face of elevated supply.

Treasury Bills

Activities in the Treasury bills secondary market this week were bearish as the tight system liquidity continues to drive participants to sell off their holdings across the NTB segment of the market. As a result, the average yield across the market expanded by 181bps to 7.5%. Across the market segments, the average yield at the NTB segment advanced by 194bps to 7.7% but remained at 4.0% in the OMO segment. At this week's NTB auction, the CBN offered instruments worth NGN145.47 billion – NGN2.16 billion for the 91-day, NGN3.34 billion for the 182-day, and NGN139.96 billion for the 364-day. Demand at the auction was significantly lower than the previous PMA, as the total subscription level settled at NGN168.58 billion (bid-to-offer settled at 1.2x vs. the previous auction: 6.4x). The auction closed with the CBN allotting precisely what was offered with respective stop rates of 6.00% (previously 2.55%), 8.00% (previously 5.00%), and 14.74% (previously 9.49%).

Next week, we envisage higher yields in the Treasury bills secondary market, following our expectations of low inflows into the financial system.

Economic Indicators

	Current	Year Start
MPR	18.00%	16.50%
Inflation (As at February)	21.91%	21.34%
Gross External Reserves*	\$35.57bn	\$37.083bn

* As at 29 March 2023.

Interbank Offered Rate

Ticker	24-Mar	31-Mar	Change
O/N	18.80%	18.88%	0.08%

Benchmark Bonds – Secondary Market

Ticker	24-Mar	31-Mar	Change (%)
12.75 27-APR-2023	2.89	3.60	0.71
14.20 14-MAR-2024	8.41	11.61	3.20
13.53 23-MAR-2025	10.19	11.01	0.82
12.50 22-JAN-2026	12.03	12.03	0.00
16.288 17-MAR-2027	12.51	12.73	0.22
13.98 23-FEB-2028	14.00	14.00	0.00
15.00 28-NOV-2028	14.07	14.00	-0.07
14.55 26-APR-2029	14.10	14.00	-0.10
12.49 22-MAY-2029	14.10	14.03	-0.07
8.50 20-NOV-2029	14.13	14.14	0.01
10.00 23-JUL-2030	14.17	14.31	0.14
12.50 27-APR-2032	14.27	14.75	0.48
12.1493 18-JUL-2034	14.40	14.75	0.35
12.50 27-MAR-2035	14.69	14.75	0.06
12.40 18-MAR-2036	14.68	14.76	0.08
16.2499 18-APR-2037	14.83	15.10	0.27
13.00 21-JAN-2042	14.71	15.14	0.43
9.80 24-JUL-2045	15.05	15.40	0.35
14.80 26-APR-2049	15.41	15.69	0.28
12.98 27-MAR-2050	15.15	15.47	0.32

*NB: A moderation in bond yields means price rose while an increase means prices dropped

Auctions- T.Bills

Ticker	15-Mar-23	29-Mar-23
91 days	2.55%	6.00%
182 days	5.00%	8.00%
364 days	9.49%	14.74%
VOLUME(₦'bn)	161.87bn	145.47bn

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Foreign Exchange

Nigeria's green back reserve declined by \$173.01 million w/w compared to \$163.67 million w/w (last week) to USD35.57 billion (29th March 2023). Across the FX windows, the Naira remained flat to close at ₦461.38/USD at the I&E window (IEW). At the I&E window, total turnover (as at 30th March 2023) decreased by 61.0% WTD to USD367.50 million, with trades consummated within the ₦453.50 – 479.27/USD band. In the Forwards market, the rate appreciated at the 1-month (+0.1% to ₦467.25/USD) contracts and also appreciated at the 3-month (+0.3% to ₦484.08/USD) while the 6-months depreciated by (-1.0% to ₦511.96/USD) contracts. The rate also depreciated at the 1-year (-0.6% to ₦565.28/USD) contracts.

For our outlook for the year, we believe the FX liquidity issues will remain over the short-to-medium term as we do not see any positive signal that represents an improvement in FX supply relative to the pre-pandemic levels. Moreover, considering the tepid accretion to the reserves given (1) low crude oil production and (2) elevated PMS under-recovery costs, FPIs which have historically supported supply levels in the IEW will be needed to sustain FX liquidity levels in the medium to long-term. Hence, we think (1) further adjustments in the NGN/USD peg closer to its fair value and (2) flexibility in the exchange rate would significantly attract foreign inflows back to the market.

News Commentary

THE PUNCH

Weak regulations affecting industries — SON – The lack of regulation of conformity assessment activities over the years has adversely affected industries, according to the Standards Organisation of Nigeria. This was stated by SON's Director-General, Mallam Farouk Salim, at the National Register for Conformity Assessment Practitioners stakeholders' engagement in Lagos on Thursday. He said weak regulations were largely caused by poor protection of genuine practitioners from the negative impacts of unhealthy competition from quacks; poor visibility and recognition of genuine and competent practitioners capable of attracting patronage and partnerships for enhanced trade relationships; poor value for money by unsuspecting customers who patronise quacks, etc. Salim noted that the engagement was guided by the strategic collaboration that SON shared with the various organisations over time, especially with the SON Management Systems Certification and Training Services departments with the organisation's interface through their customers. He added that the stakeholders' engagement was in view of the importance of the authenticity and traceability of products and services, adjudged to have met the requirements of relevant Nigerian Industrial Standards and other approved specifications.

Lagos Free Zone issues N17.5bn bond – The Lagos Free Zone Company has announced the issuance of N17.5bn 20-year corporate infrastructure bond which is the third issuance under an upsized N61bn bond issuance programme. In a statement issued on Thursday, the LFZ stated that the Series 3 Senior Guaranteed Fixed Rate infrastructure bond was due in 2043. According to the LFZC, the bond issuance was backed by an irrevocable and unconditional guarantee from InfraCredit and accorded a "AAA" long-term credit rating by Agosto and Co. and GCR. The offer was oversubscribed with participation from institutional investors including 10 domestic pension funds and an insurance company. The transaction was the third 20-year non-FGN bond issue in the Nigerian debt capital markets. Speaking on the transaction, the Chief Finance Officer of LFZC, Ashish Khemka said, "This is our third successful bond issuance at LFZC and it is a testament to the capacity of the Nigerian debt market as a veritable source of domestic capital for infrastructural development in Nigeria. "The impressive participation and pricing of this bond issuance by the domestic institutional investors further strengthens our commitment to realise our vision and thereby enhance Nigeria's competitive positioning with our continuous focus on Ease of Doing Business parameters.

VANGUARD

Making 75% content of advertising locally will create 0.5m jobs — FG – The Federal Government said yesterday that the implementation of a policy to ensure that 75% cumulative local content is integrated into all advertisement, advertising and marketing communication materials with effect from January 1, this year, was and is still meant to create a minimum of 500,000 jobs annually. Minister of Information and Culture, Alhaji Lai Mohammed, who said this during the Advertising Industry Colloquium 2023 organised by the Advertising Regulatory Council of Nigeria (ARCON) in Lagos, added that it would also save the country hundreds of millions of Naira in capital flight owing to the production of advertisement outside the country. According to the Minister, "The introduction of the Advertising Industry Standard of Practice, AISOP, which seeks to provide a minimum expectation of business practices among stakeholders and eradicate unethical activities which are inimical to the general interest of the advertising industry in Nigeria is one of the high points of the Council." He said, "We noted the deficiencies in the now repealed Advertising Practitioners (Registration) Act, which inhibited the erstwhile Advertising Practitioners Council of Nigeria (APCON) from achieving its full potential in regulating the business and practice of advertising in Nigeria.

NDIC assures Nigerians of safety of bank deposits – The Nigeria Deposit Insurance Corporation (NDIC) on Thursday in Enugu assured depositors of the safety of their money against unusual bank failures. The assurance was given by the Senior Manager, Enugu Zonal Office of NDIC, Mr Othman Afolayan who represented the Managing Director, Mr Bello Hassan at the NDIC Day at the ongoing 34th Enugu International Trade Fair. He said the corporation was determined to enhance public confidence in the financial system by ensuring that customers' deposits in banks were safe and protected. He explained that the NDIC, in conjunction with the CBN supervised money deposit banks to ensure that they were run in safe and efficient manner. This, he added, was done in line with extant laws and regulations and ensuring the resolution of distress in banks to reduce instances of failure. "We are at the trade fair to showcase the mandate and activities of the NDIC, particularly our contributions to the stability of the country's financial system. "We want the general public to know and reflect always that their deposits are safe and that in the unusual event of a bank failure, the NDIC is here to protect them, especially the small savers," he said.

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DAILY TRUST

Nigeria's Debt Rose To N46.25tr In 2022 – DMO – The Debt Management Office (DMO) has stated that Nigeria's debt profile as of December 31, 2022 is N46.25 trillion or \$103.1bn. In a statement yesterday, DMO said there was an increase of over N7tr from what the country owned in 2021. "Total Public Debt Stock consisting of the Domestic and External Debt Stocks of the Federal Government of Nigeria (FGN) and the sub-national governments (the 36 State Governments and the Federal Capital Territory) was N46.25 trillion or \$103.1bn. The comparative figure for December 31, 2021, is N39.5tr or \$95.77bn." "In terms of composition, Total Domestic Debt Stock was N27.55tr (\$61.42bn) while total external debt stock was N18.7tr (\$41.6bn)." It stated that the reasons for the increase in the Total Public Debt Stock were new borrowings by the Federal Government and sub-national governments, primarily, to fund budget deficits and execute projects. "Meanwhile, the Total Public Debt to Gross Domestic Product (GDP) ratio for December 31, 2022, was 23.20% and indicates a slight increase from the figure for December 31, 2021, at 22.47%.

NGX Records N318.5bn Of Listings In Q1 2023 – The Nigerian Exchange Limited has disclosed that the Exchange recorded N318.52bn of listings across its equities, fixed income, mutual funds and derivatives categories. According to the X-Compliance report, a transparency initiative of NGX designed to maintain market integrity and protect the investors by providing compliance-related information on all listed companies, NGX saw N11.23bn in Federal Government of Nigeria bond listings, which constituted FGN Savings Bonds with maturities ranging between 2024 and 2026. Lagos State government issued the only bond by a sub-sovereign entity with its N137.33bn series 1V, 10-year 13%, Fixed Rate Bonds due 2031 under its N500bn debt issuance program. The corporate bond segment recorded N112.42bn senior unsecured bond listing from Dangote Industries Funding Plc and N31.36bn in Sukuk Issuances from Taj Bank and Family Homes under their respective Sukuk Issuance programmes. FTN Cocoa Processors Plc and Neimeth International Pharmaceuticals Plc both did supplementary listings of N850m and N3.68bn of shares respectively. Africa Plus Partners Nigeria Limited also listed its mutual fund, Africa Infra Plus 1, the first Carbon Plus naira denominated fund to be listed on the Exchange, at a market value of N21.65bn.

FG Inaugurates Committee To Boost Energy Efficient Cooling Systems – The federal government yesterday in Abuja inaugurated a technical committee to drive Nigeria's renewable energy drive, especially in the area of cooling and air conditioning systems. The inauguration was part of a one-day National Stakeholders Consultative workshop aimed at accelerating the transition to climate friendly low global warming refrigerants and energy efficient Air Conditioning systems in Nigeria. Speaking at the event, the Minister of Science, Technology and Innovation, Adeleke Mamora stated that Nigeria is one of the largest markets for cooling in Africa and one of the fastest-growing in the world; therefore, the event will support Nigeria to establish its presence on the continent and the world at large. He said, "Nigeria through its National Energy policy and climate protocols has joined the rest of the world to recognise energy efficiency as one of the most cost-effective means of providing energy security, increasing economic productivity, reducing local air pollution and helping mitigate Greenhouse Gas (GHG) emissions.

LEADERSHIP

Nigeria Among Countries With Significant Gas Flare Reduction In 2022 – The World Bank has acknowledged that Nigeria significantly contributed to global gas flare reduction in 2022. The bank reported that progress in reducing gas flaring resumed in 2022, with gas flared worldwide falling by 5 billion cubic meters (bcm) to 139 Bcm. This, it said, is its lowest level since 2010, according to new satellite data compiled by the World Bank's Global Gas Flaring Reduction Partnership (GGFR). After a decade of stalled progress, global gas flaring volumes fell in 2022 by around 3 percent, which is a welcome drop, especially during a time of concern about energy security for many countries. "We continue to encourage all oil producers to seize opportunities to end this polluting and wasteful practice," said, World Bank vice president for Infrastructure, Guangzhe Chen. Three countries; Nigeria, Mexico, and the United States, accounted for most of the decline in global gas flaring in 2022. Two other countries, that is, Kazakhstan and Colombia stand out for consistently reducing flaring volumes in the last seven years.

Aviation Unions Protest, Vow To Resist Demolition Of FAAN, NAMA's Building – Unions in the nation's aviation industry have once again vowed to resist any attempt by the Federal Government to demolish office complexes of the Federal Airports Authority of Nigeria (FAAN) and the Nigerian Airspace Management Agency (NAMA), building at the Murtala Muhammed Airport (MMA), Lagos. The unions who accused the Minister of Aviation, Sen. Hadi Sirika, of abysmal performance in the last eight years despite the "gigantic policies" unveiled by the government for the sector since 2015 it came to power, declared that they would continue to vigorously kick against the planned demolition of the buildings until the government complied with the Labour Act on relocation of workers. The workers who had gathered at the Freedom Square of FAAN as early as 8a.m, on Wednesday, carried different placards to press home their disaffection with the decision of the government. Some of the placards read in part: 'No to demolition of FAAN headquarters Annex,' 'F.G. stop the demolition of headquarters annex Lagos,' 'FAAN headquarters annex not for sale,' 'Build FAAN corporate headquarters,' and 'Demolition of FAAN headquarters is fraud,' among others.