

WEEKLY ECONOMIC AND MARKET RECAP

NIGERIAN ECONOMY

According to the recently released CPI report by the National Bureau of Statistics (NBS), headline inflation in July 2023 rose to 24.08%, which was 4.44% points higher compared to the rate recorded in June 2022, which was (19.64%). On a month-on-month basis, the Headline inflation rate in July 2023 was 2.89%, this was 0.76% higher than the rate recorded in June 2023 (2.13%). The increase was due to (i) The impact of rising logistical costs and currency depreciation on the food index, (ii) The dry spell season in the northern region due to insufficient rainfall during that time, and (iii) flood incidence in the southern region of the country. On the latter, Famine Early Warning Systems Network (FEWSNET) revealed that flooding in Ondo, Oyo, Osun, Ekiti, Rivers, and Cross River states in early July negatively impacted crop output and infrastructures.

Food inflation rose to 26.98% on a year-on-year basis in July 2023 which was 4.97% higher compared to the rate recorded in July 2022 (22.02%). This was caused by an increase in prices of Oil and fat, Bread and cereals, Fish, Potatoes, Yam and other tubers, Fruits, Meat, Vegetable, Milk, Cheese, and Eggs. On a month-on-month basis, food inflation rose by 3.45%, this was a 1.06% increase compared to the rate recorded in June 2023 (2.40%).

The Core inflation rose to 20.47% in July 2023 which was 4.41% higher on a year-on-year basis, when compared to the rate recorded in July 2022 (16.06%). On a month-on-month basis, the core inflation rate was 2.11% in July 2023, this was a 0.34% increase compared to the rate recorded in June (1.77%). The highest increases were recorded in prices of Passenger Transport by Air, Gas, Vehicles Spare Parts, Liquid Fuel, Fuels and Lubricants for Personal Transport Equipment, Medical Services, and Passenger Transport by Road.

We foresee continued instability in the non-food commodities category due to two prevailing factors: (1) the loosening of regulations on petrol pricing and (2) the ongoing devaluation of the local currency. The Independent Petroleum Marketers Association of Nigeria (IPMAN) has suggested that if the exchange rate in the parallel market remains between NGN910 to NGN950 against the dollar, the price of PMS may increase to around NGN680/litre to NGN720/litre in the upcoming weeks.

EQUITIES

The local bourse ended the week on a negative note as the All Share Index (NGX ASI) depreciated by -0.93% week-on-week to settle at 64,721.09 basis points with selloff seen in stocks such as SUNUASSUR (-28.70%), GUINEAINS(-25.64%), NEM (-10.00%) and UNITYBNK (-9.79%).

Consequently, the Month-To-Date (MTD) return appreciated by +0.60 % as the Year-To-Date (YTD) return remained positive settling at 26.28% for the week with Market Capitalization settling at 35.42trn Naira at the close of the trading session.

Sector performance showed mixed performance for the week as the NGX-Consumer Goods Index increased by (+2.39%), followed by NGX-Industrial Index (+0.37%), While the NGX-Banking Index declined by (-2.06%) and NGX-Oil/Gas Index (-1.13%).

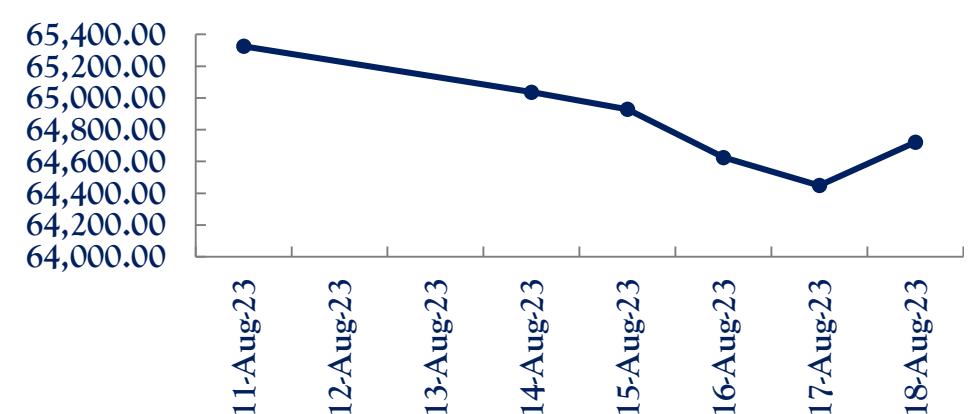
ECONOMIC INDICATORS

Economic Indicators	Current	Previous
GDP Growth	2.31%	3.52%
Unemployment	33.3%	33.3%
MPR	18.50%	18.00%
External Reserve	\$34.22 billion	\$34.35 billion
Inflation	22.79%	22.41%

KEY METRICS

Metrics	Outcome
All-Share Index	64,721.09
WTD	-0.93%
MTD	0.60%
YTD	26.28%
52-week High	54,085.30
52-week Low	24,026.05
Market Capitalization (N'trn)	35.42

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



SECTOR PERFORMANCE

Index	Wk. Close 11-08-2023	Wk. Close 18-08-2023	% WTD	% YTD
NGX-Banking	681.58	667.57	-2.06	59.90
NGX-Industrial	2,840.70	2,851.11	0.37	18.64
NGX Oil/Gas	918.43	908.02	-1.13	96.34
NGX-Consumer Goods	877.59	898.53	2.39	52.57

GLOBAL ECONOMY

The number of US requesting unemployment benefits decreased by 11,000 from the prior week's upwardly revised seven-week high to 239,000 on the week ending August 12th, which was in line with predictions of 240,000.

Despite remaining low by historical standards, the figure remained sharply above lows from the second half of July, implying that the US labor market is beginning to soften from stubbornly tight levels since the beginning of the year, loosely aligning with recent bets that the Federal Reserve may refrain from tightening monetary policy further this year. In the meantime, continuing claims rose by 32,000 to 1,716,000 on the first week of August, above market expiations of 1,700,000, to reflect some added difficulty for jobseekers to find available employment. The four-week moving average, which eliminates week-to-week volatility, rose by 2,750 to 234,250 on August 12th. Non-seasonally adjusted claims fell by 2,750, with California experiencing the largest decline (-3,519).

GLOBAL MARKET

Global markets closed negative as investors continued to be wary about the economy's health amid the tightening momentum from the BoE and the Fed while deepening credit risks in China pressured companies with exposure traded in London.

In the US market, the S&P 500 declined by (-2.67%) week-on-week. Likewise, Dow Jones declined by (-2.29%) and Nasdaq declined by (-3.61%).

The European market showed a bearish performance, FTSE 100 declined by (-3.12%), Likewise CAC 40 declined by (-1.73%) and Euro STOXX declined (-2.00%).

The Asian market showed a negative performance, the Hang Seng declined by (-6.09%), followed by China A50 (-2.21%) and Nikkei 225 (-1.58%).

MONEY MARKET AND FIXED INCOME

MONEY MARKET

Last week, as a result of the bond settlement, interbank rates increased.

The Open Repo Rate (OPR) and Overnight Rate rose to 19.64% and 19.79%, respectively.

FGN BONDS AND TREASURY BILLS

The bond market remained bearish last week as a result of worries about the position of the nation's foreign reserves and the bond primary auction. The selloff was skewed at the mid-to-long papers, specifically APR 2049 and Mar 2050 maturities.

However, The average benchmark yield increased to 13.89%.

We expect the average bond yield should increase this week due to low liquidity.

Rising Concerns about Nigeria's foreign reserves and the rapid devaluation of the naira hampered the August Bond Market Auction, with demand falling to N312.56 billion, the lowest in the year and less than the N360 billion in bonds issued.

TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
CWG PLC	3.02	3.80	0.78 ▲	25.83
THE INITIATES PLC	0.94	1.16	0.22 ▲	23.40
JOHN HOLT PLC.	1.20	1.45	0.25 ▲	20.83

TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
SUNUASSUR	1.15	0.82	-0.33 ▼	-28.70
GUINEAINS	0.39	0.29	-0.10 ▼	-25.64
UNITYBNK	6.00	5.40	-0.60 ▼	-10.00

FGN BOND

Maturity	Bid Yield	Offer Yield
NIGB 13.53% MAR 25	11.00%	10.00%
NIGB 12.500% JAN 26	13.00%	12.80%
NIGB 16.2884% MAR 27	13.20%	12.85%
NIGB 13.98% FEB 28	13.50%	12.95%
NIGB 14.55% APR 29	13.80%	13.15%
NIGB 12.50% APR 32	14.10%	13.70%
NIGB 14.70% JUN 33	14.20%	13.80%
NIGB 12.149% JUL 34	14.80%	13.65%
NIGB 12.5000% MAR 35	14.50%	13.85%
NIGB 12.40% MAR 36	14.70%	13.85%
NIGB 16.25% APR 37	15.00%	14.85%
NIGB 15.45% JUN 38	15.40%	15.05%
NIGB 13.00% JAN 42	15.60%	14.60%
NIGB 14.80% APR 49	15.70%	15.05%
NIGB 12.98% MAR 50	15.50%	14.85%
NIGB 15.70% JUN 53	15.90%	15.55%

Analysts believe that the insensitivity of stop rates to rate hikes contributed to investors' apathy. Meanwhile, the CBN sold N227.7 billion in total, with a spread of N10.43 billion for 2029 paper, N4.07 billion for 2033 paper, N25.53 billion for 2038 paper, and N187.73 billion for 2053 paper. The preference for the longest tenor (2053) indicates that investors anticipate more inflation in the interval. The stop rates settled at 13.85%, 15.00%, 15.20% and 15.85% for 2029, 2033, 2038 and 2053 tenors, respectively, higher than 12.50%, 13.60%, 14.10% and 14.30% recorded in July.

The treasury bill market saw limited demand in the first three trading days before turning bearish on Thursday and Friday, pushing the average benchmark yield to 8.16% by 23 basis points week-on-week.

On Monday, the OMO bill was listed at the secondary market at 12.18% and closed at 11.76% on Friday, showing strong buying interest.

FOREIGN EXCHANGE

The naira appreciated against the US dollar last week by 48bps to close at N739.52/USD from N740.60/USD at the Investor and Exporter FX Fixing (I&EFX).

OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude depreciated by -2.95% w/w to close at \$80.66 per barrel. Likewise, Gold depreciated by -1.52% to close at \$1,916.95 from \$ 1,946.6.

Accordingly, the OPEC Basket price closed at \$84.8 per barrel for the week indicating a -2.32% weekly decline.

TOP BUSINESS HEADLINES FOR THE WEEK

- FG Okays N5bn Palliative Fund for Each State.
- NNPC Secures \$3bn Loan to Stabilise Naira.
- Nigeria Needs \$20bn Annually to Achieve Gas Expansion Plan - NEITI.

INTERBANK OFFERED RATE

	11-Aug-2023	18-Aug-2023	Change(%)
OPR	2.00	19.64	+882.00
OVN	2.80	19.79	+606.79

OIL & COMMODITIES PRICES

Instrument	11-Aug-2023	18-Aug-2023	Change (%)
Brent Crude	\$86.81	\$84.8	-2.32
WTI Oil	\$83.11	\$80.66	-2.95
Gold	\$1946.6	\$1,916.95	-1.52

FOREIGN EXCHANGE (Spot & Forward rate)

Tenor	Closing Rate (\$/N)
I&E FX Window	739.52
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

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