

WEEKLY ECONOMIC AND MARKET RECAP

NIGERIAN ECONOMY

The National Bureau of Statistics (NBS) reported that total capital inflow rose from US\$1.06 billion in Q4 2022 to US\$1.13 billion in Q1 2023, indicating a 6.6% increase compared to the same period in 2022. However, capital imports experienced a 28% year-on-year (Y-o-Y) decline due to uncertainties surrounding the February general elections. The data shows that Foreign Portfolio Investment (FPI) represented US\$650 million (57%) of the overall capital inflow during this timeframe, while Foreign Direct Investment (FDI) contributed a mere US\$5 million (4%). Analysts have noticed a pattern over the last decade, indicating that FPI is highly responsive to political uncertainties, leading to cyclic fluctuations.

Significantly, there was a notable decrease in Foreign Portfolio Investment (FPI) from 2016 to 2020, which aligned with periods of economic downturn. Conversely, Foreign Direct Investments (FDIs), which represent more reliable and enduring capital, have been nearly nonexistent due to various factors such as insufficient infrastructure, inconsistent economic policies, multiple taxation, and elevated business expenses. Additionally, analysts have emphasized the obstacles investors encounter in obtaining licenses and the challenges they face in resolving legal disputes.

EQUITIES

The local bourse ended the week on a negative note as the All Share Index (NGX ASI) depreciated by 0.75% week-on-week to settle at 62,569.73 basis points with selloff seen in stocks such as CHAMPION (-31.52%), ACADEMY (-26.80%), WEMABANK (-25.55%) and STERLINGNG (-25.42%).

Consequently, the Month-To-Date (MTD) return appreciated by +2.63% as the Year-To-Date (YTD) return remained positive settling at 22.08% for the week with Market Capitalization settling at 34.07trn Naira at the close of the trading session.

Sector performance showed mixed performance for the week as the NGX-Industrial Index recorded the highest gain (+9.01%), followed by NGX-Oil/Gas Index (+1.43%). While NGX-Banking Index declined by (-14.32%) and NGX-Consumer Goods Index (-2.29%).

GLOBAL ECONOMY

In May 2023, the British economy experienced a contraction of 0.1% compared to the previous month, following a growth of 0.2% in April and was smaller than the anticipated 0.3% decline. An additional bank holiday for the King's Coronation and strikes contributed to this downturn, with the production sector being the most affected, showing a decrease of 0.6%. This was primarily due to a 2% slump in electricity, gas, steam, and air conditioning supply. Water supply and sewerage dropped by 1.7%, while manufacturing declined by 0.2%.

Construction fell 0.2% and services were flat, as a 1.1% increase in human health and social work activities was offset by a 0.5% decline in wholesale and retail trade and repair of motor vehicles.

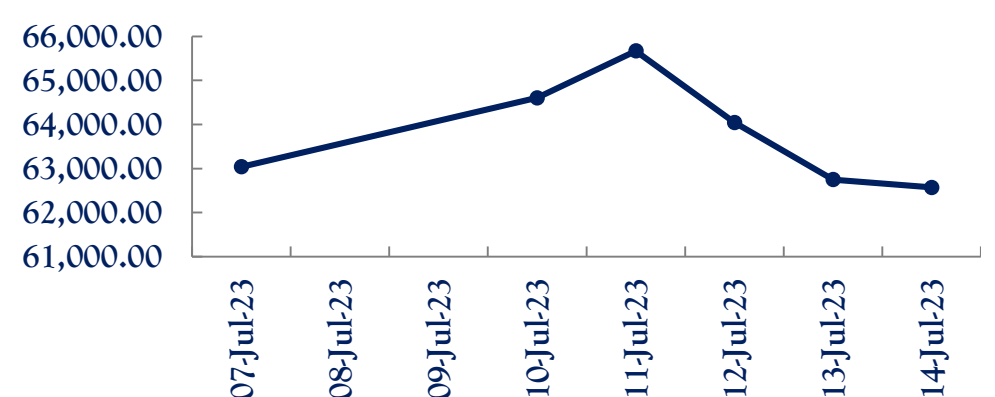
ECONOMIC INDICATORS

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	22.41%	22.22%

KEY METRICS

Metrics	Outcome
All-Share Index	62,569.73
WTD	0.75%
MTD	2.63%
YTD	22.08%
52-week High	54,085.30
52-week Low	24,026.05
Market Capitalization (N'trn)	34.07

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



SECTOR PERFORMANCE

Index	Wk. Close 07-07-2023	Wk. Close 14-07-2023	% WTD	% YTD
NGX-Banking	708.77	607.29	-14.32	45.46
NGX-Industrial	2,546.73	2,776.30	9.01	15.52
NGX Oil/Gas	831.59	843.48	1.43	82.38
NGX-Consumer Goods	892.77	872.37	-2.29	48.13

Output in consumer-facing services fell by 0.2%, mainly due to food and beverage service activities. Considering the three months to May, the British economy showed no growth. The Office for National Statistics (ONS) stated that if the June GDP shows a smaller drop than 0.1%, the economy would be on track to avoid a contraction for the entire second quarter. Currently, the GDP is estimated to be 0.2% higher than its pre-coronavirus levels.

GLOBAL MARKET

Global markets closed positively as investors look ahead to earnings reports from major banks.

In the US market, the S&P 500 increased by (+2.42%) week-on-week. Likewise, the Nasdaq and Dow Jones increased by (+3.32%) and (+2.29%) respectively.

The European market showed a bullish performance, FTSE 100 increased by (+2.45%), Likewise CAC 40 increased by (+3.69%), and Euro STOXX (+3.86%).

The Asian market showed a positive performance, the Hang Seng increased by (+5.71%), followed by China A50 (+2.93%) and Nikkei 225 (+0.01%).

MONEY MARKET AND FIXED INCOME

MONEY MARKET

Last week, funding rates remained in the single digits due to the strong liquidity.

On a weekly basis, the Open Repo Rate (OPR) and Overnight Rate rose by 2907bps and 2640bps to 1.11% and 1.58%, respectively.

We anticipate that this week's FGN Bond sale will slightly raise interbank rates.

FGN BONDS AND TREASURY BILLS

The bond market had buying activity in mid-to-long dated notes at the beginning of last week, but that demand declined as the week progressed. In anticipation of the June CPI report, investors sold their holdings on Thursday and Friday.

However, the bond market closed bullish, dropping the average yield by 196bps to 13.00%.

We expect selloffs to occur this week as investors react to June CPI data and bid for higher coupon rates at the FGN Bond Auction.

The Treasury Bill secondary market was subdued as investors focused on the NTB auction that took place on Wednesday.

On Friday, the average yield dropped marginally by 16bps to 6.11%.

Despite rising negative real returns, demand for Nigerian treasury bills has rocketed. The NTB auction on July 12, 2023, received a total subscription of N681.86bn compared to the N141.77bn offered, showing investors' preference for risk-free products. The high subscription was spread across three tenors: N5.816bn for 91 days, N31.38bn for 182 days, and N654.62bn for 364 days, driving stop rates lower for all three tenors.

TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
DAAR	0.20	0.30	0.10	▲ 50.00
JOHNHOLT	1.25	1.81	0.10	▲ 44.80
DEAPCAP	0.26	0.35	0.09	▲ 34.62

TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
CHAMPION	4.60	3.15	-1.45	▼ -31.52
ACADEMY	2.50	1.83	-0.67	▼ -26.80
WEMABANK	5.44	4.05	-1.39	▼ -25.55

FIG 2: T-BILLS YIELD CURVE (%)

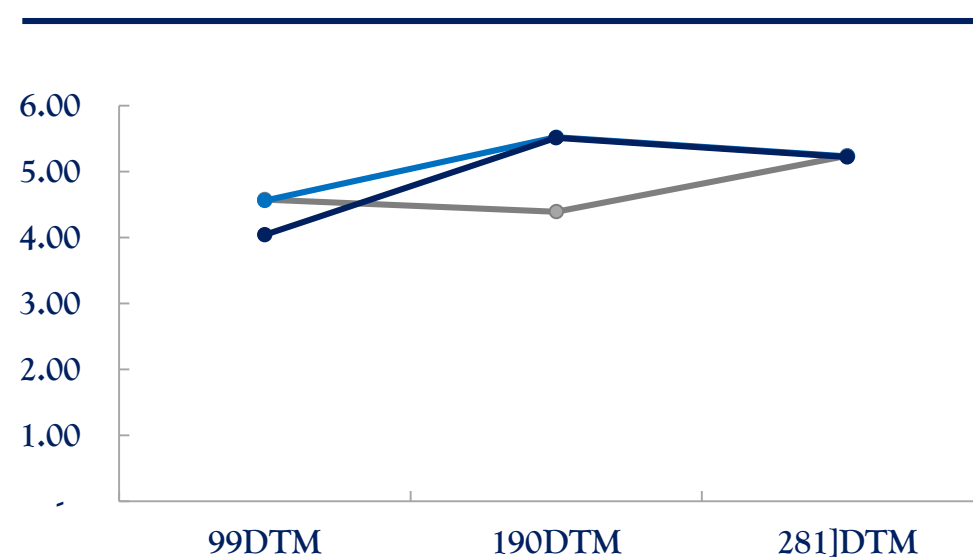
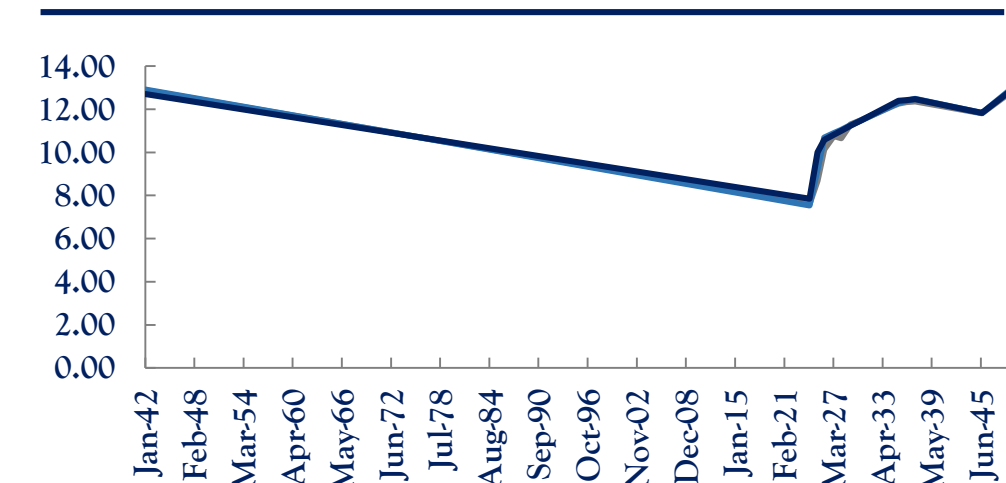


FIG 3: FGN BOND YIELD CURVE (%)



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The 91-day, 182-day, and 364-day stop rates fell to 2.86%, 3.50%, and 5.94%, respectively, compared to the previous auction, as CBN sold only N147.77bn offered.

FOREIGN EXCHANGE

The naira's value against the US dollar has continued to fall due to a lack of foreign exchange availability.

Last week, at the Investor and Exporter FX Window (I&E), Naira depreciated to N803.9/USD from N776.90/USD indicating a weekly loss of 3.48%.

Likewise, at the Nigerian Autonomous Foreign Exchange Fixing (NAFEX), Naira depreciated to N779.40/USD from N749.64/USD indicating a weekly gain of 3.97%.

OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude appreciated by 4.85% w/w to close at 76.12 per barrel. Likewise, Gold appreciated by 1.30% to close at \$1,957.50 from \$ 1,932.4.

Accordingly, the OPEC Basket price closed at \$80.6 per barrel for the week indicating a 4.23% weekly gain.

TOP BUSINESS HEADLINES FOR THE WEEK

- FG's N27.82trn Infrastructure Budget Fails to Dent Deficit.
- Power Sector Gas Debt Hits \$1bn, Says NGA.
- Autogas Adoption will Save N1.84tn - FG.
- Egypt Sells State Assets worth \$1.9 Billion.

INTERBANK OFFERED RATE

	07-Jul-2023	14-Jul-2023	Change(%)
OPR	0.86	1.11	+29.07
OVN	1.25	1.58	+26.40

OIL & COMMODITIES PRICES

Instrument	07-Jul-2023	14-Jul-2023	Change (%)
Brent Crude	\$77.33	\$80.6	4.23
WTI Oil	\$72.6	\$76.12	4.85
Gold	\$1932.4	\$1,957.50	1.30

FOREIGN EXCHANGE (Spot & Forward rate)

Tenor	Closing Rate (\$/N)
I&E FX Window	803.9
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

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