

WEEKLY ECONOMIC AND MARKET RECAP

NIGERIAN ECONOMY

According to a report released by the Economist Intelligence Unit (EIU), Nigeria's fiscal deficit will widen to a 10-year high this year as high global fuel prices push up petrol subsidy bills while crude oil output remains low. Brent oil price passed US\$100/bbl for the first time since 2014 as a worsening of the Russia/Ukraine crisis continues to spark fears of a disruption to the region's energy exports.

Theoretically, the rise in crude oil prices, a major source of foreign exchange to the country should be positive for revenues. Nigeria's fiscal deficit has more than doubled from 1.0% of GDP in 2014 to about 5.9% in 2021. The low oil revenue mobilization continues to mask the gains from the non-oil segment. Government expenditure for 2022 was estimated at an all-time high of N17.12 trillion, while revenue was projected at N10.1 trillion. While expenditure is set to exceed the estimate, revenue will likely underperform the estimate.

EQUITIES

The Equity market closed bearish this week as All-Share Index closed at 46,631.46 recordings a decrease of -0.45% Week-On-Week. However, the year-to-date return was positive at +9.17% with market capitalization settling at N25.139trillion. Profit-taking was witnessed in the following stocks NASCON (-8.9%), WAPCO (-2.7%), FBNH (3.3%), and DANGSUGAR (-1.9%) led the weekly loss.

Performance across sectors was mixed this week as NGX- Oil and Gas was the highest gainer for the week with (+3.14), NGX-Banking (+1.51), While NGX-Industrial recorded the highest decline with (-0.42), likewise NGX-Consumer Goods (-0.35).

Considering that the 2021FY earnings season has run its course, we envisage that investors' sentiment will be guided by changes in macroeconomic activities and the movement of yields in the field income market.

GLOBAL ECONOMY

The ISM Services PMI for the US increased to 58.3 in March of 2022 from 56.5 in February, due to an ease in pandemic restrictions. Figures compare with market forecasts of 58.4. Faster increases were seen for business activity (55.5 vs 55.1), new orders (60.1 vs 56.1), and employment (54 vs 48.5). At the same time, price pressures intensified (83.8 vs 83.1). Labour shortages have eased slightly, as COVID-19 cases have declined and public-health restrictions have been relaxed. Geopolitical concerns - particularly the Russia/Ukraine war, which has impacted material costs, most notably fuel and chemical prices - have created uncertainty for many businesses.

China's economy is expected to grow at +4.8% this year, much slower than the previous forecast of +5%, according to a report by the Asian Development Bank (ADB). The slowdown in growth has been attributed to the shrink in labour force and a decline in investment. Meanwhile, consumer price inflation is forecast at 2.3% - notably higher than the 0.9% inflation rate recorded in 2021.

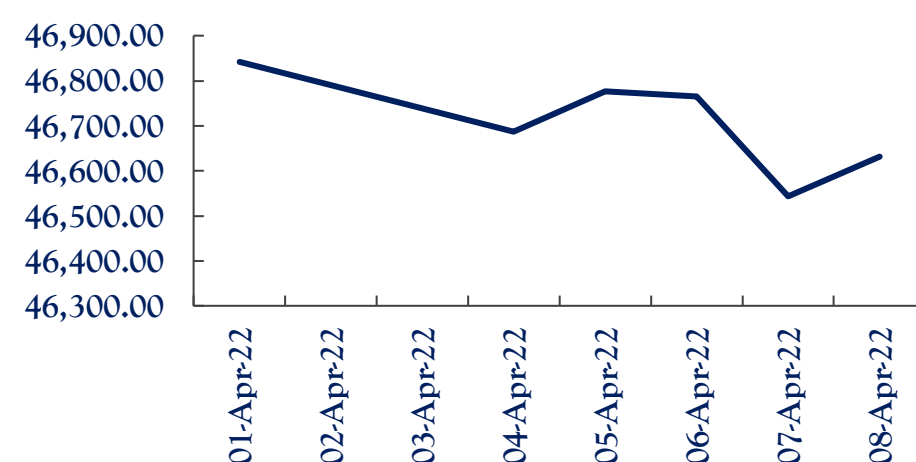
ECONOMIC INDICATORS

Economic Indicators	Current	Previous
GDP Growth	4.03%	5.01%
Unemployment	33.3%	33.3%
MPR	11.5%	11.5%
External Reserve	\$39.63billion	\$39.55billion
Inflation	15.63%	15.40%

KEY METRICS

Metrics	Outcome
All-Share Index	46,631.46
WTD	-0.45%
MTD	-0.71%
YTD	9.17%
52-week High	45,957.35
52-week Low	24,026.05
Market Capitalization (N'trn)	25.139

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



SECTOR PERFORMANCE

Index	Wk. Close 01-Apr-2022	Wk. Close 08-Apr-2022	% WTD	% YTD
NGX- Banking	409.38	415.56	1.51	2.34
NGX- Industrial	2,115.10	2,106.19	-0.42	4.87
NGX Oil/Gas	426.94	440.35	3.14	27.63
NGX- Consumer Goods	554.14	552.18	-0.35	-6.30

GLOBAL MARKET

U.S. equity futures were little changed as the Federal Reserve's plan for aggressive policy tightening and China's Covid lockdowns hovered over markets leading to share price drop in Japan. Similarly, Global equities are nursing losses for the week, hurt by the risk of an economic downturn as the Fed tackles inflation. In India, the 10-year bond yield hit 7%, the highest since 2019, as its Central Bank boosted an inflation forecast. The Dow opened Friday's session flat while the S&P 500 and Nasdaq underperformed falling by 0.3% and 0.9%, respectively.

The UK stock market closed positive as The FTSE 100 traded 1% higher at around 7-week highs of 7,630 on Friday and is heading for its fifth consecutive week of gains led by gains in defensive sectors including pharmaceuticals and utilities.

MONEY MARKET AND FIXED INCOME

MONEY MARKET

The Interbank rate settled high this week largely due to increase in market activities amidst tightened system liquidity.

At the close of trading on Thursday, the money market rates closed at 5.75% and 5.25% for the open repo rate (OPR) and overnight rate (O/N) respectively. OPR increased by +5.00% and O/N increased by +27.78% w-o-w.

We expect a further tightening in system liquidity as outflows from CBN's weekly auctions includes (NTB, OMO and FX) will most likely offset inflows from OMO maturities (NGN50.00 billion).

FGN BONDS AND TREASURY BILLS

The NTB secondary market remained quiet at the end of the week, with only mild interest seen on the CBN Special Bills and the 30 Mar 2023 Bill papers.

At the close of trading on Thursday, the average benchmark closed by +1.55% on a W-o-W basis to 3.27 while OMO bills remained flat W-o-W at 3.53%.

Furthermore, the local bond secondary market was mixed this week, with sell-off seen in the mid and long-dated maturities and buying interest witnessed in short-dated bonds.

At the close of trading on Thursday, the overall average benchmark yields closed at 10.86% indicating a W-on-W increase of +1.31%.

The Debt Management Office (DMO), on behalf of the Federal Government has announced its plans to raise c. NGN675.00 billion in Q2-22, a 50.0% increase from NGN450.00 billion offered in Q1-22, through reopening of the MAR 2025 and JAN 2042 bonds and a new issue of a 10-year instrument (APR 2023).

We observe that the increased FGN borrowing plan based on the Q2-22 bond calendar provides traction to our outlook of an elevated supply, in the face of reduced liquidity.

TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
MEYER PLC.	0.72	1.13	0.41	▲ 56.94
REGENCY ASSURANCE PLC.	0.31	0.37	0.06	▲ 19.35
CONOIL PLC.	22.25	26.00	3.75	▲ 16.85

TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
NPF MICROFINANCE BANK PLC.	2.49	2.09	-0.40	▼ -16.06
UACN PLC.	11.70	10.10	-1.60	▼ -13.68
ROYAL EXCHANGE PLC.	1.09	0.95	-0.14	▼ -12.84

FIG 2: T-BILLS YIELD CURVE (%)

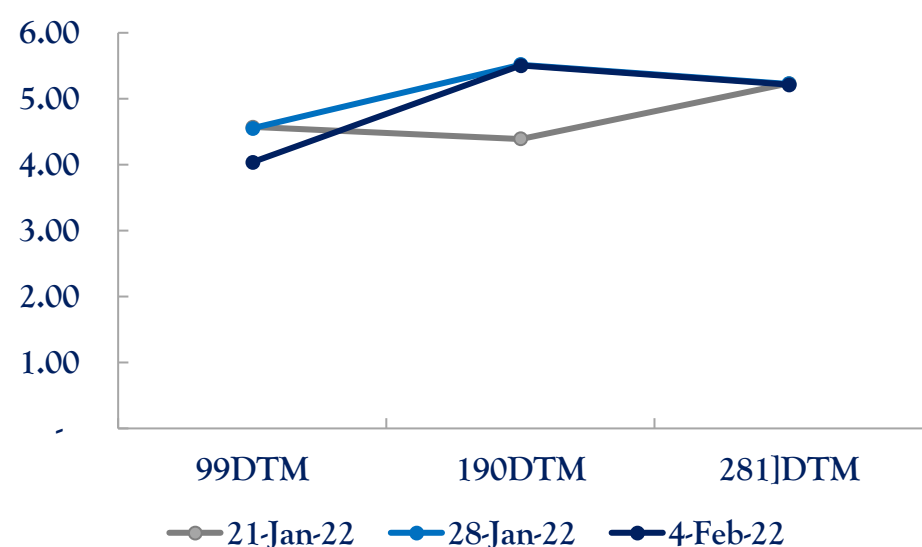
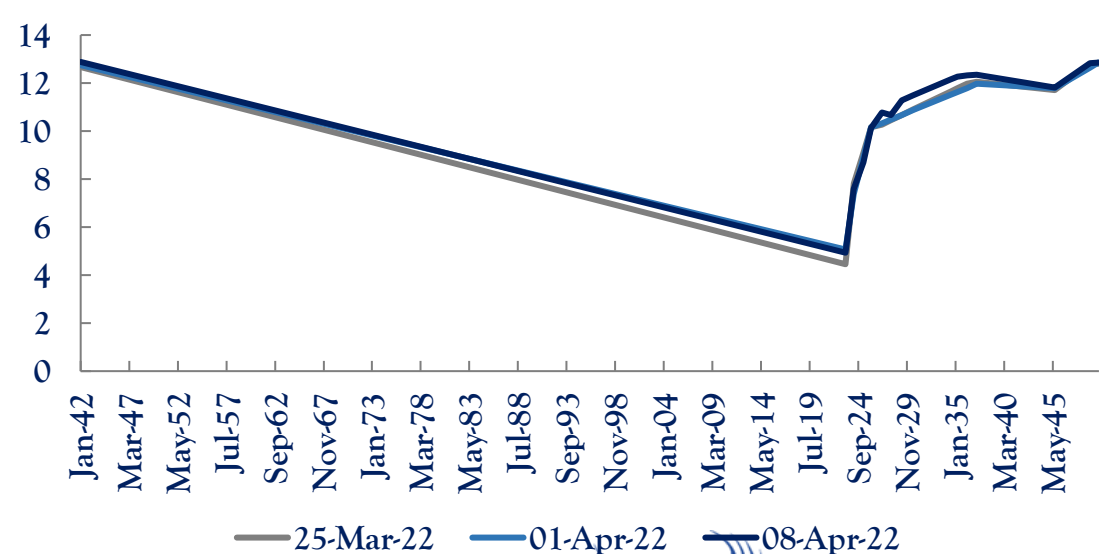


FIG 3: FGN BOND YIELD CURVE (%)



FOREIGN EXCHANGE

This week, the Naira depreciated both at the I & E FX window and Nigerian Autonomous Foreign Exchange Fixing (NAFEX) market.

On Thursday, the Naira closed at N416.67/USD in the I&E FX window, indicating a +0.12% depreciation week-on-week (W-on-W) similarly the local currency closed at N415.60/USD on Thursday in the NAFEX market, an indication of a +0.29% depreciation but appreciated by 0.2% to NGN587.00/USD at the parallel market.

OIL PRICES AND COMMODITIES

Oil prices drifted lower on Friday as prices were set to drop around 3% for the week. Analysts said the emergency oil release amounting to about 1 million barrels per day from May to the end of the year, might curb price rises in the short term, but would not fully cover volumes lost if more countries impose sanctions against Russia over its invasion of Ukraine, which Moscow calls a "special operation". Brent crude futures edged lower by 55 cents or 0.6% to \$100.03 a barrel on Friday.

Over the week, the West Texas Intermediate (WTI) Crude increased by -6.49% w/w to trade at \$98.260 per barrel. Likewise, Gold also increased by 0.94% to trade at \$1928.7.

Accordingly, the OPEC Basket traded at \$101.02 per barrel for the week indicating a 0.90% week-on-week increase. Nigeria's headline crude, Bonny Light trades at \$110.13 for the week.

In the coming week, oil prices are expected to drop as Countries plan to release from the emergency reserve to cover for shortage of Russian oil.

TOP BUSINESS HEADLINES FOR THE WEEK

- Nigeria's Total Debt could hit N50tn.
- Daily Energy Supply in Nigeria falls to 99,335MWh.
- President Buhari approves a 3.33% reduction for FG in the revenue allocation formula.
- Nigeria loses \$1.5bn to Oil Theft in 3 months - NNPC.
- BOI Targets \$10b From Foreign Investors to Support Real Sector.

INTERBANK OFFERED RATE

	31-Mar-22	7-Apr-22	Change(%)
OPR	5.00	5.25	+5.00
OVN	4.50	5.75	+27.78

OIL & COMMODITIES PRICES

Instrument	01-Apr-2022	08-Apr-2022	Change (%)
Brent Crude	\$100.12	\$101.02	0.90
WTI Oil	\$92.27	\$98.260	6.49
Gold	\$1928.7	\$1946.8	0.94
Nigeria Bonny Light	\$111.51	\$110.13	-1.24

FOREIGN EXCHANGE (Spot & Forward rates)

Tenor	Closing Rate (\$/N)
I&E FX Window	416.17
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

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