

WEEKLY ECONOMIC AND MARKET RECAP

NIGERIAN ECONOMY

According to the Central Bank of Nigeria (CBN), credit to the Federal Government rose by +17.7% to N16.6 trillion in April 2022 up from N14.1 trillion in January 2022. Credit to the private sector rose during the period by N1.93 trillion or 5.5 percent to N37.13 trillion in April 2022 from N35.2 trillion in January 2022. Meanwhile, the total credit allocation rose by N4.5 trillion or 9.14 percent to N53.7 trillion in April 2022 from N49.2 trillion in January 2022.

Analysts have anticipated a further increase in government debt stock this year in their Macroeconomic assessment and prognosis for April 2022 as Budget deficit is likely to expand to N7.4 trillion in 2022 after a lower-income estimate and a larger spending outlay. The increase in expense is attributable to an increase in the allocation for fuel subsidies, which increased from N0.44 trillion to N4 trillion. This implies that Nigeria may not profit from the increase in crude oil prices due to the high cost of subsidy/petrol imports which would put more strain on government finances and the currency rate.

We anticipate that government borrowing and Nigeria's overall debt stock will rise in 2022.

EQUITIES

The Nigerian Stock Market ended the week on a negative note as buying interests were noticed in bellwethers such as Nigeria Breweries(+7.06%) and Zenith Bank Nigeria (+1.96%) respectively. The NGX-ASI closed the week at 52908.24 basis points recording a weekly decline of 2.18%.

Consequently, the Month-To-Date (MTD) depreciated by 0.15% as the Year-To-Date return contracted by 275 basis points to settle at 23.86% with Market Capitalization settling at 28.52trn naira at the close of the trading session.

Sectoral performance was broadly negative for the week as the NGX- Industrial Goods (-3.73%) recorded the highest loss followed by the NGX- Consumer Goods (-2.51%), NGX- Banking (-0.73%), and NGX- Oil/Gas (-0.45%).

GLOBAL ECONOMY

US unemployment rate remained steady in May 2022 at 3.6%, the lowest since February 2020 compared to market estimates of 3.5%. Unemployment climbed by 9,000 to 5.950 million while employment increased by 321,000 to 158.426 million. Meanwhile, the labour-force participation rate rose to 62.3 percent in May from a 3-month low of 62.2% in April.

In the first quarter of 2022, non-farm labour productivity in the United States decreased to an annualized 7.3%, below expectations of a 7.5% loss and following a 6.3% increase in the previous quarter. Productivity declined by 2.4% while hours worked increased by 5.4%, the largest drop since the third quarter of 1947. Non-farm business sector labour productivity declined by 0.6% YoY in line with expectations after increasing by 1.9% in the previous quarter.

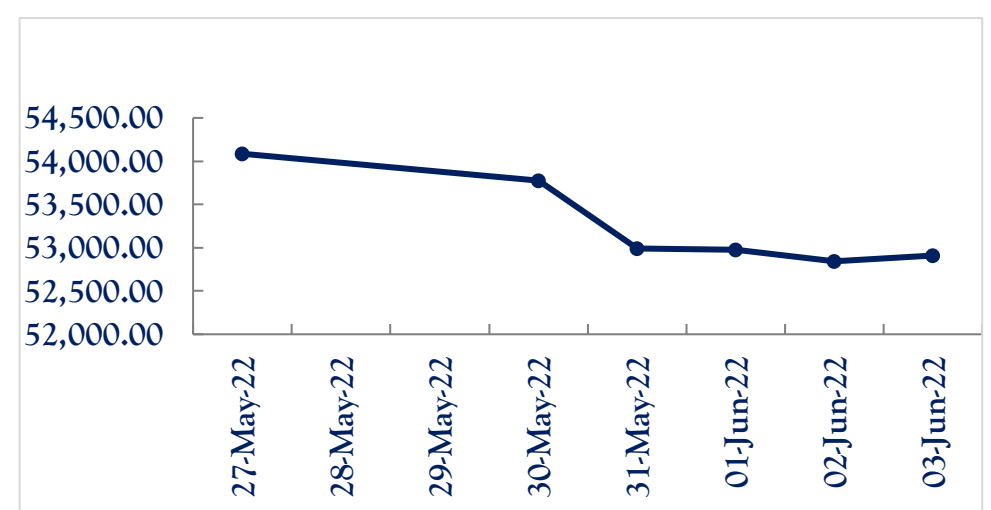
ECONOMIC INDICATORS

Economic Indicators	Current	Previous
GDP Growth	3.11%	4.03%
Unemployment	33.3%	33.3%
MPR	13.00%	11.5%
External Reserve	\$38.48billion	\$38.857billion
Inflation	16.82%	16.82%

KEY METRICS

Metrics	Outcome
All-Share Index	52,908.24
WTD	-2.18%
MTD	-0.15%
YTD	23.86%
52-week High	54,085.30
52-week Low	24,026.05
Market Capitalization (N'trn)	28.523

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



SECTOR PERFORMANCE

Index	Wk. Close 27-May-2022	Wk. Close 3-June-2022	% WTD	% YTD
NGX- Banking	427.47	424.34	-0.73	4.50
NGX- Industrial	2,278.71	2,193.62	-3.73	9.23
NGX Oil/Gas	551.49	549.01	-0.45	59.13
NGX- Consumer Goods	664.23	647.55	-2.51	9.89

GLOBAL MARKET

In the US Stock market, the Dow, S&P, and Nasdaq indices fell by 1.05%, 1%, and 1.5% respectively as the increased participation rate supports Fed's plan for fast tightening. The US economy gained 390,000 jobs in May 2022 higher than Wall Street forecast of 290,000 jobs, although wage growth slowed to 5.2% compared to 5.5% in the previous month.

On Friday, the European equities market rose for the second day in a row, with Germany's DAX rising by 0.5 percent after gaining more than 1% the day before. The Stoxx 600 index extended its gains supported by healthcare and luxury firms.

Hotter-than-expected inflation figures across the Eurozone this week fuelled speculation that the ECB may need to hike rates sooner than planned. The Bank is likely to declare the end of its large-scale asset purchases and confirm plans to raise interest rates in July.

MONEY MARKET AND FIXED INCOME

MONEY MARKET

Interbank rates fell this week following strong liquidity provided by FAAC inflows on Wednesday.

At the close of the trading session on Friday, the Open Repo Rate (OPR) and Overnight Rates (O/N) settled at 6.00% and 6.20 respectively, indicating a W-o-W decline of -7.67% and -7.80%.

We expect the interbank rate to remain stable at present levels with liquidity remaining high.

FGN BONDS AND TREASURY BILLS

Activities in the Nigerian Treasury Secondary market was generally bearish following sell-off positions in response to the recently announced MPR rates.

The average benchmark settled at 4.11% as yields increased by +6.20% week-on-week (W-o-W). However, average yields in the OMO bill remained steady at 4.40% week on week.

During the week's auction, the CBN offered and allotted NGN40.00 billion worth of bills to market participants while maintaining stop rates across the three tenors.

The FGN bonds secondary market closed the trading day on a strong note with diverse purchasing interests reported across the tenors. The average benchmark yield closed at 11.56% this week, indicating a 0.18% Week-on-Week increase (W-o-W).

We expect a rise in yields following Government's borrowing plans for 2022 and the expected fiscal deficit.

TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
NIGERIAN AVIATION HANDLING COMPANY PLC.	6.47	7.94	1.47	▲ 22.72
JAIZ BANK PLC.	0.78	0.90	0.12	▲ 15.38
ETERNA PLC.	6.77	7.70	0.93	▲ 13.74

TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
CONOIL PLC.	34.25	29.10	-5.15	▼ -15.04
WEMA BANK PLC.	3.65	3.20	-0.45	▼ -12.33
PRESCO PLC.	180.00	162.00	-18.00	▼ -10.00

FIG 2: T-BILLS YIELD CURVE (%)

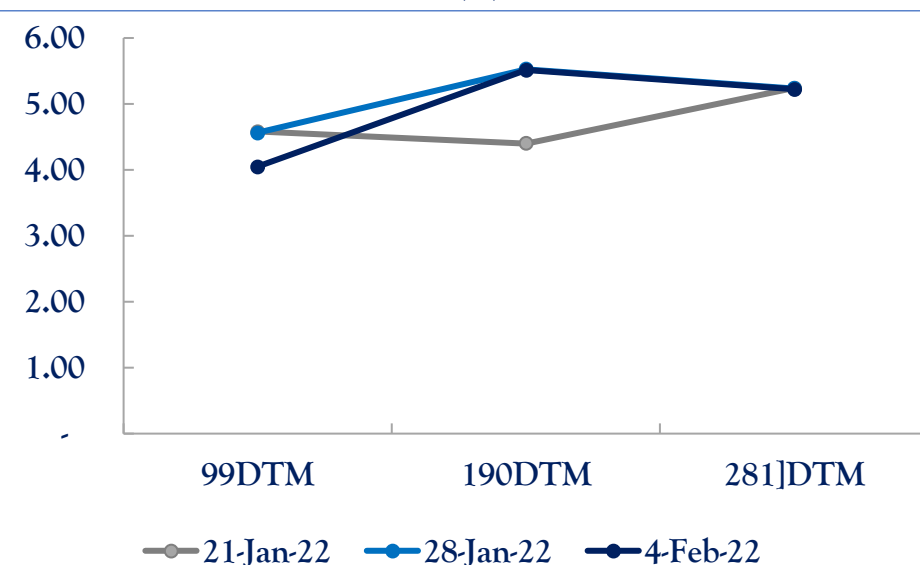
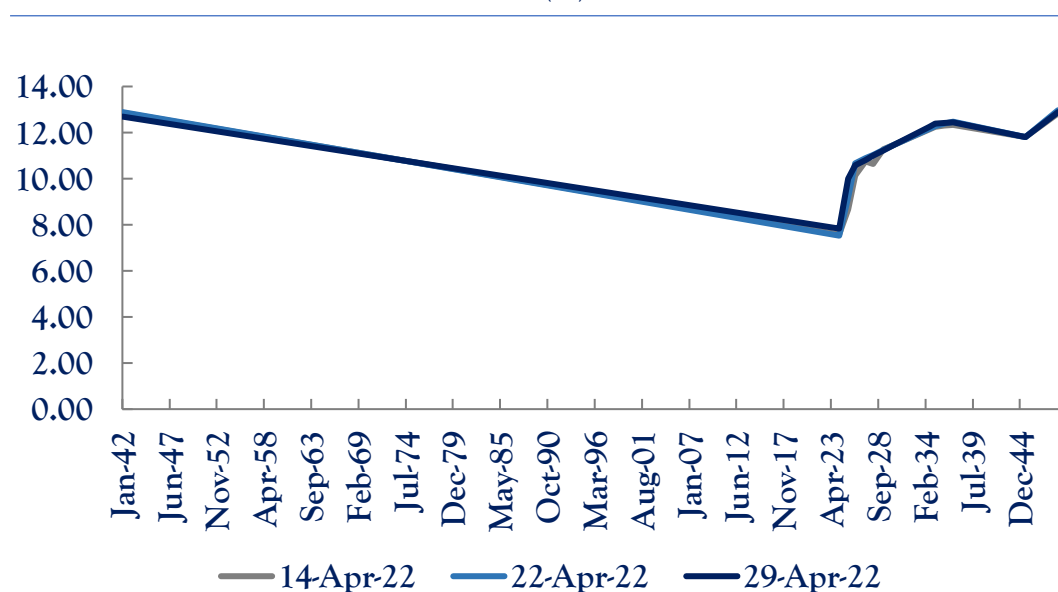


FIG 3: FGN BOND YIELD CURVE (%)



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FOREIGN EXCHANGE

At the close of the trading session on Friday, Naira closed at N419.75/USD at the I&E Window indicating a 0.1% weekly decline but appreciated by 0.7% to NGN606.00/USD at the Parallel market. At the I&E Window, total turnover increased by 115.3% WTD to USD1.15 billion as trades were executed within the NGN410.00 – NGN453.55/USD range.

Elsewhere, Nigeria's FX reserve declined by USD58.90 million w/w to USD38.48 billion sustaining a weekly loss for the fifth consecutive week.

OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude appreciated by 3.30% w/w to close at \$118.87 per barrel. Likewise Gold appreciated by 0.08% to close at \$1852.4.

Accordingly, the OPEC Basket price closed at \$119.54 per barrel for the week indicating a 0.59% weekly gain. Likewise, Nigeria's headline crude, Bonny Light closed at \$130.233 for the week indicating an increase of 6.98%.

In the coming week, oil costs are anticipated to climb in the midst of developing requests from China as Covid-19 confinements facilitate.

TOP BUSINESS HEADLINES FOR THE WEEK

- Fuel Subsidy May Hit N6trn in 2022, IMF Warns Nigeria.
- Discos, Gencos, Others' Revenue Shortfall Rises to N1.6tn.
- OPEC Increases Nigeria's Crude Oil Production Quota to 1.8mbpd.

INTERBANK OFFERED RATE

	27-May-22	3-June-22	Change(%)
OPR	13.67%	6.00%	-7.67s%
OVN	14.00%	6.20%	-7.80%

OIL & COMMODITIES PRICES

Instrument	27-May-2022	3-June-2022	Change (%)
Brent Crude	\$118.84	\$119.54	0.59
WTI Oil	\$115.07	\$118.87	3.30
Gold	\$1850.9	\$1852.4	0.08
Nigeria Bonny Light	\$121.73	\$130.23	6.98

FOREIGN EXCHANGE (Spot & Forward rates)

Tenor	Closing Rate (\$/N)
I&E FX Window	419.75
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

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