

WEEKLY ECONOMIC AND MARKET RECAP

NIGERIAN ECONOMY

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) voted unanimously in March to raise the Monetary Policy Rate (MPR) by 50 basis points to 18.0%. As a result, the MPR has now reached its highest level since November 2002 (18.5%). The voting results indicate that an aggressive rate rise was not discussed at this meeting as 10 members voted to raise the MPR by 50 bps, 1 member voted to raise the MPR by 25 bps, and the final member voted to retain the MPR.

Similarly, the Committee voted to maintain the asymmetric corridor around the MPR at +100bps/-700bps, the Cash Reserve Requirement (CRR) at 32.5%, and the Liquidity Ratio at 30.0% at its current levels.

On domestic growth: the MPC acknowledges improved domestic economic activity in Q4-22 (3.52% y/y vs Q3-22: 2.25% y/y), attributing the result to (1) sustained development in the services and agricultural sectors, and (2) the CBN's continuing involvement in growth-enhancing sectors. Similarly, the Committee anticipates that real GDP will maintain its recovery for the remainder of 2023, albeit at a slower rate due to changing and persistent shocks to the domestic economy.

We expect that the MPC will pursue a policy of smaller rate rises in order to reduce the negative real returns while avoiding the risks of overtightening.

EQUITIES

The local bourse ended the week on a negative note as the All Share Index (NGX ASI) depreciated by 0.04% week-on-week to settle at 54,892.53 basis points sell-off seen in stocks such as NCR (-18.69%), IKEJAHOTEL (-18.25%), INTBREW (-6.45%) and STANBIC (-5.76%).

Consequently, the Month-To-Date (MTD) return depreciated by -1.64% as the Year-To-Date (YTD) return remained positive settling at 7.11% for the week with Market Capitalization settling at 29.90trn Naira at the close of the trading session.

Sector performance showed mixed performance for the week as the NGX-Banking Index recorded the highest gain (+0.93%), followed by NGX-Oil/Gas Index (+0.00%). While NGX-Consumer Goods Index declined by (-0.74%) and NGX-Industrial Index (-0.49%).

GLOBAL ECONOMY

The Fed raised the fed funds rate by 25 basis points to 4.75%-5% in March 2023, matching the February rise and boosting borrowing prices to new highs since 2007. The move was in accordance with most investors' expectations, though some believed the central bank should suspend the tightening cycle to ensure financial stability. The Fed noted that the US banking system is solid and resilient. Recent events are expected to tighten lending conditions for households and companies, weighing on economic growth, hiring, and inflation.

Meanwhile, the fed funds rate is projected to reach 5.1% this year, the same as in December, and to end 2024 slightly higher at 4.3%, compared to 4.1%, before falling to 3.1% in 2025, the same as seen in December.

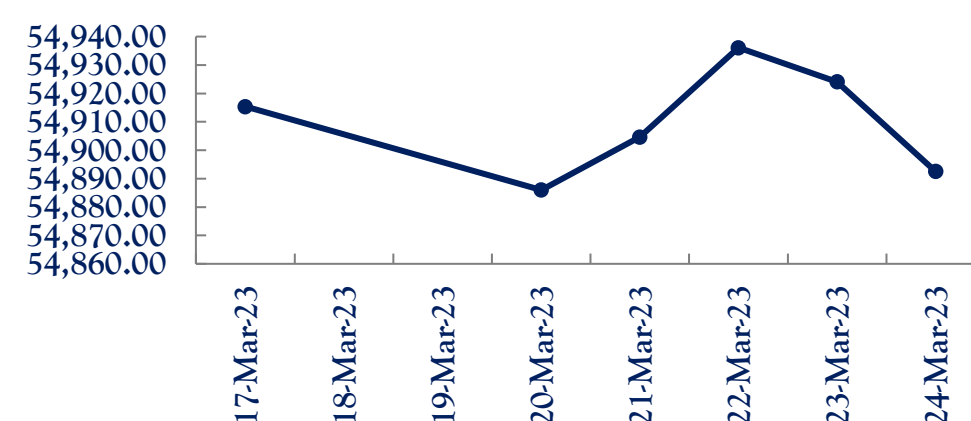
ECONOMIC INDICATORS

Economic Indicators	Current	Previous
GDP Growth	3.52%	2.25%
Unemployment	33.3%	33.3%
MPR	18.00%	17.5%
External Reserve	\$35.7 billion	\$36.44 billion
Inflation	21.91%	21.82%

KEY METRICS

Metrics	Outcome
All-Share Index	54,892.53
WTD	0.04%
MTD	-1.64%
YTD	7.11%
52-week High	54,085.30
52-week Low	24,026.05
Market Capitalization (N'trn)	29.90

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



SECTOR PERFORMANCE

Index	Wk. Close 17-Mar-2023	Wk. Close 24-Mar-2023	% WTD	% YTD
NGX-Banking	432.92	436.95	0.93	4.66
NGX-Industrial	2,551.91	2,539.31	-0.49	5.66
NGX Oil/Gas	521.34	521.34	0.00	12.73
NGX-Consumer Goods	701.37	696.17	-0.74	18.21

GLOBAL MARKET

Global markets closed positive as investors questioned if banks could sustain the prolonged confidence crisis, and as investors digested the implications of several rate rises by important central banks last week.

In the US market, the Dow Jones increased by (+1.19%) week-on-week. Likewise, S&P 500 and Nasdaq increased by (+1.39%) and (1.66%) respectively.

The European market showed a bullish performance, FTSE 100 increased by (+0.95%), Likewise CAC 40 increased (+1.30%), and Euro STOXX (+1.61%).

The Asian market showed a positive performance, as the Hang Seng increased by (+2.03%), likewise China A50 increased by (+1.63%), followed by Nikkei 225 (+0.19%).

MONEY MARKET AND FIXED INCOME

MONEY MARKET

The funding rate edged up last week in reaction to the 50bps MPR raise, settling at 18.25% and 18.88% for the Open repo rate (OPR) and Overnight rate on Friday. A weekly rise of 3774bps and 3681bps respectively

FGN BONDS AND TREASURY BILLS

The Treasury Bill secondary market was relatively calm for the majority of last week, with just minimal selloffs following the 50bps rate hike.

The average benchmark yield grew by 589 basis points week-on-week to 6.26%. The OMO bill yield rose to 4.02% last week by 3355bps.

We anticipate that the FAAC inflow will generate buying interest this week.

Despite the rate hike, the Treasury Bond market saw buying interest in mid-to-long tenors maintained last week, lowering the average benchmark yield to 13.89% by 50 basis points Week-on-week.

We expect as liquidity increases, the positive trend should continue throughout this week.

Irrespective of negative real return, rising inflation expectations, and tightening of monetary policy, there has been a persistently high demand for long-dated government securities. The bond auction received a subscription of N808.61bn as against N360bn offered, meanwhile CBN sold only N563.36 with the 2037 and 2049 receiving the surplus.

Compared to the February auction, the marginal rate fell for the APR 2032, APR 2037, and APR 2049 by 101bps, 440bps, and 156bps to 14.90%, 15.20%, and 15.75% respectively while Feb 2028 increased slightly to 14.00%.

TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
SUNUASSU	0.44	0.48	0.04	▲ 9.09
LASACO	0.98	1.05	0.07	▲ 7.14
NPFMCRFBK	1.73	1.85	0.12	▲ 6.94

TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
NCR	2.89	2.35	-0.54	▼ -18.69
IKEJAHOTEL	1.26	1.03	-0.23	▼ -18.25
INTBREW	4.65	4.35	-0.30	▼ -6.45

FIG 2: T-BILLS YIELD CURVE (%)

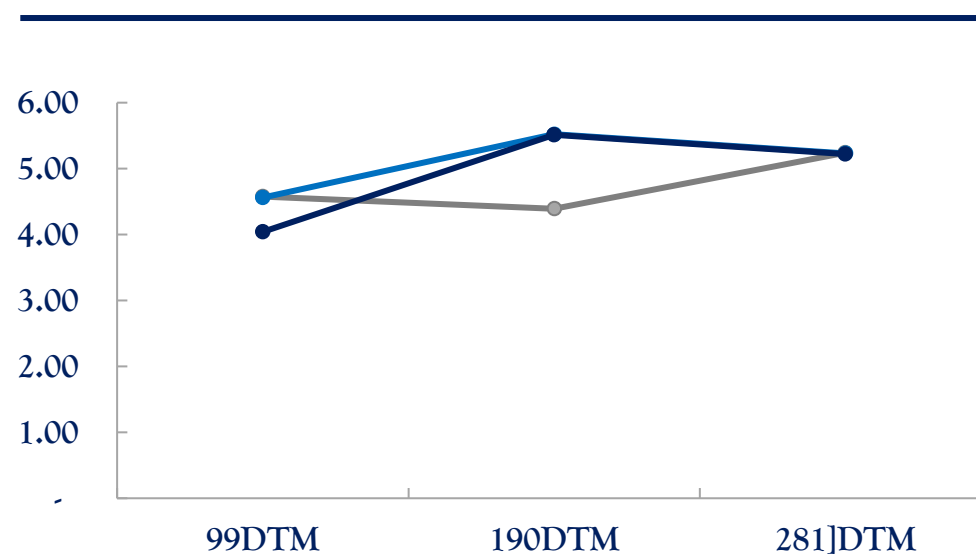
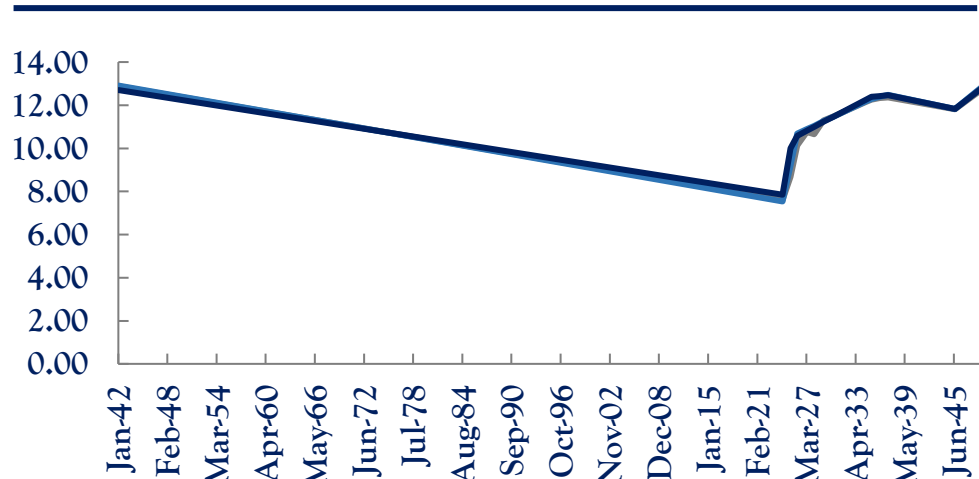


FIG 3: FGN BOND YIELD CURVE (%)



FOREIGN EXCHANGE

Last week, at the Investor and Exporter FX Window (I&E), Naira appreciated to N 461.33/USD from N/461.83 USD indicating a weekly gain of 0.11%.

While the NAFEX fixing, Naira depreciated by 3bps to N461.30/461.17 USD week-on-week loss.

OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude appreciated by 3.42% w/w to close at 69.20 per barrel. Likewise Gold appreciated by 0.99% to close at \$1,983.80 from \$1,964.35.

Accordingly, the OPEC Basket price closed at \$74.59 per barrel for the week indicating a 2.42% weekly gain.

TOP BUSINESS HEADLINES FOR THE WEEK

- FEC Approves N454bn for Kano-Niger Republic Rail, Others.
- Petrol Price Increased By 54.76% In One Year – NBS.
- China, Nigeria Trade Deals Dropped By N37bn In 1 Year.
- African Infrastructure Gets Boost From \$12 Billion Climate Fund.
- Nigeria, Japan Trade Hits \$10b.

INTERBANK OFFERED RATE

	17-Mar-2023	24-Mar-2023	Change(%)
OPR	13.25	18.25	+37.74
OVN	13.80	18.88	+36.81

OIL & COMMODITIES PRICES

Instrument	17-Mar-2023	24-Mar-2023	Change (%)
Brent Crude	\$72.83	\$74.59	2.42
WTI Oil	\$66.91	\$69.20	3.42
Gold	\$1,964.35	\$1,983.80	0.99

FOREIGN EXCHANGE (Spot & Forward rate)

Tenor	Closing Rate (\$/N)
I&E FX Window	461.33
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

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