

WEEKLY ECONOMIC AND MARKET RECAP

NIGERIAN ECONOMY

According to the NBS data, inflation increased by 90 basis points (bp) in April rising to +16.82 percent from +15.92 percent in March 2022. The increase in CPI was projected due to the increase in white oil products such as diesel (AGO), Premium Motor Spirit (PMS), and other fuels. Airlines have recently threatened to suspend operations due to the high cost of aviation fuel (Jet A1), which has risen to above N600 per litre. Similarly, telecommunications companies have announced a 40 percent increase in call and SMS prices. This was caused by the rapid hike in oil prices leading to an increase in operational costs.

At the same time, the cost of housing, water, electricity, gas, and other fuels increased rapidly. Inflation on such products increased by 76 basis points from +12.32 percent in March to +13.08 percent in April, according to the Bureau's figures. Price of imported food which increased by 17.66 percent was another element that contributed to the higher-than-expected inflation rate. Monthly inflation surged by +1.8 percent, the highest rate since December 2021. The food index increased by +2% month-on-month (M-o-M), the most since December of the previous year.

EQUITIES

The Nigerian Stock Market ended the week on a negative note as market sentiment was bearish due to profit-taking activities witnessed in the shares of FLOURMILL (-10.7%), WAPCO (-8.30%), INTBREW (-6.80%), and MTNN (-4.80%) led the weekly loss. The NGX-ASI closed the week with 52,979.96 recordings a -0.22% decrease week-on-week.

Consequently, the Month-To-Date (MTD) and Year-To-Date (YTD) returns increased by +6.73% and +24.03% respectively with market capitalization settled at 28.56 trillion naira at the end of the week.

Sectoral performance was mixed as the NGX- Oil/Gas was the sole gainer with (+0.30%) while the NGX- Banking (-1.24%), NGX- Consumer Goods (-0.98%) and NGX- Industrial Goods (-0.61%).

GLOBAL ECONOMY

Annual inflation in the United Kingdom rose to 9 per cent in April, the highest level since 1982, owing to rising prices of electricity, gas and other fuels, motor fuels, and used cars, is yet another sign that consumers' living standards are currently squeezed. This compares to a rate of 7 per cent in March and forecasts of 9.1 per cent. The greatest upward pressure came from housing and utility costs 19.2 per cent compared to 7.7 per cent following an increase in the Office of Gas and Electricity Markets' cap on energy prices.

Electricity prices increased by 53.5 per cent, gas by 95.5 per cent, and liquid fuels by 113.9 per cent. The cost of transportation also increased 13.5 per cent compared to 13.4 per cent, with average petrol prices reaching a record of 161.8 pence/litre in April compared to 125.5 pence per litre a year earlier. Consumer prices rose by 2.5 per cent on a monthly basis.

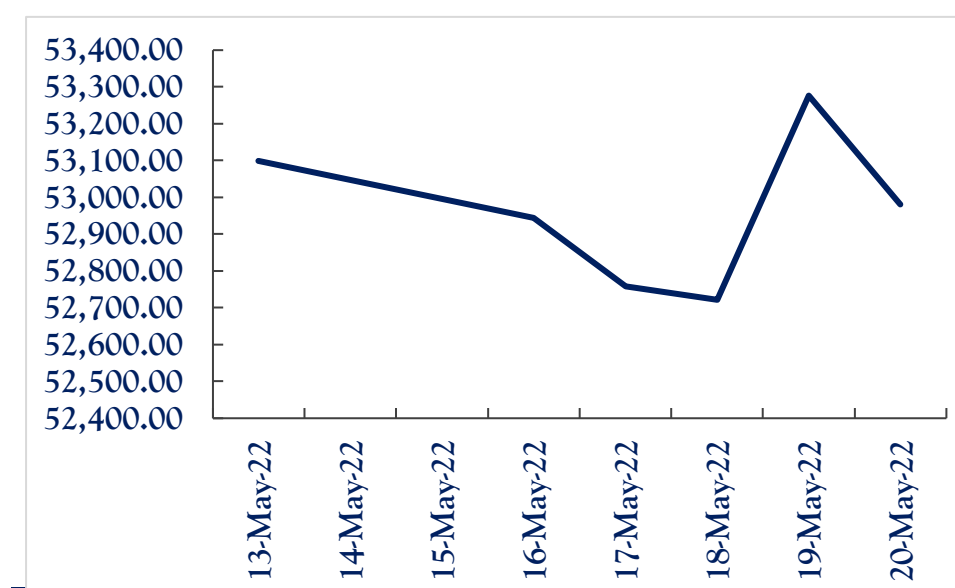
ECONOMIC INDICATORS

Economic Indicators	Current	Previous
GDP Growth	4.03%	5.01%
Unemployment	33.3%	33.3%
MPR	11.5%	11.5%
External Reserve	\$38.84billion	\$39.08billion
Inflation	16.82%	15.92%

KEY METRICS

Metrics	Outcome
All-Share Index	52,979.96
WTD	-0.22%
MTD	6.73%
YTD	24.03%
52-week High	53,098.46
52-week Low	24,026.05
Market Capitalization (N'trn)	28.562

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



SECTOR PERFORMANCE

Index	Wk. Close 13-May-2022	Wk. Close 20-May-2022	% WTD	% YTD
NGX- Banking	436.15	430.73	-1.24	6.07
NGX- Industrial	2,308.32	2,294.18	-0.61	14.41
NGX Oil/Gas	554.62	556.29	0.30	61.24
NGX- Consumer Goods	698.32	691.49	-0.98	17.34

GLOBAL MARKET

Global equities performance was bearish at the close of the week, reversing its earlier gains as investors remained concerned about soaring inflation weighing on companies' profit margins and aggressive tightening potentially causing a recession. Retailer forecasts including those from Walmart and Target have dampened investors' spirits for the coming week.

Accordingly, U.S stocks closed the week on a negative note following weaker-than-expected results on U.S retailers igniting fears about the impact of inflation on corporate earnings, the Dow Jones and S&P 500 declined by 2.9% and 3.1% respectively. Similarly, European stock markets closed bearish as investors' sentiments were affected by the rising inflation numbers.

The Asian market performed positively amidst inflationary pressures with the Nikkei 225 index appreciating by 1.2%, this increase was supported by bargain hunting activities in certain stocks which were considered to be undervalued.

MONEY MARKET AND FIXED INCOME

MONEY MARKET

The money market rate increased following the slight liquidity inflow from the bond auction on Monday, the interbank rate edged higher all week due to low liquidity.

The market closed on Friday with the Open Repo Rate (OPR) rising to 12.25% and the Overnight Rate (O/N) edging higher to 12.50% indicating a week-on-week rise of +41.29% and +36.39% respectively.

We expect system liquidity will remain constrained next week, as the rate to be a single digit.

FGN BONDS AND TREASURY BILLS

The Nigerian Treasury Bill secondary market was quiet for the majority of the trading session as the average benchmark yield remained unchanged for most days.

At the close of the trading week, the average benchmark yield closed at 3.63% and the yields rose by +3.13% week-on-week while the OMO bills were bullish with the average benchmark yield settling at 3.78% and the yield declining by -2.33% week-on-week.

The bond market was mixed at the end of the trading session with a number of buying interests in both the short and medium curves and selling interest in the long end curve.

The overall average benchmark yield closed at 11.53% indicating a -0.32% decline.

The Debt Management Office (DMO) sold N378.14 billion in bonds at the bond auction on Monday, May 16th against an offer of N225 billion resulting in a bid-to-offer ratio of 1.7x. In comparison to the previous auction, the rate for 2025 remained unchanged at 10% while the rate for 2032 fell to 12.45% from 12.50% and the rate for 2042 rose to 13% from 12.90% in April 2022.

Following the FGN's borrowing plan for 2022FY, we envisage a potential increase in bond yields for the medium-term instrument.

TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
MCNICHOLS PLC.	1.34	2.13	0.79	▲ 58.96
TRANSCORP HOTELS PLC.	4.88	5.89	1.01	▲ 20.70
N NIG. FLOUR MILLS PLC.	9.95	12.00	2.05	▲ 20.60

TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
ROYAL EXCHANGE PLC.	1.53	1.14	-0.39	▼ -25.49
ACADEMY PRESS PLC.	1.51	1.23	-0.28	▼ -18.54
FTN COCOA PROCESSORS PLC.	0.38	0.32	-0.06	▼ -15.79

FIG 2: T-BILLS YIELD CURVE (%)

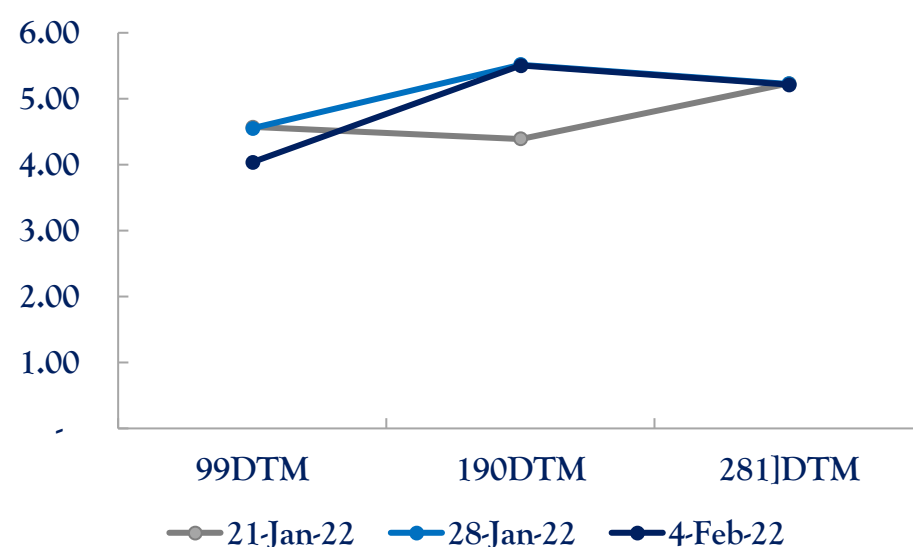
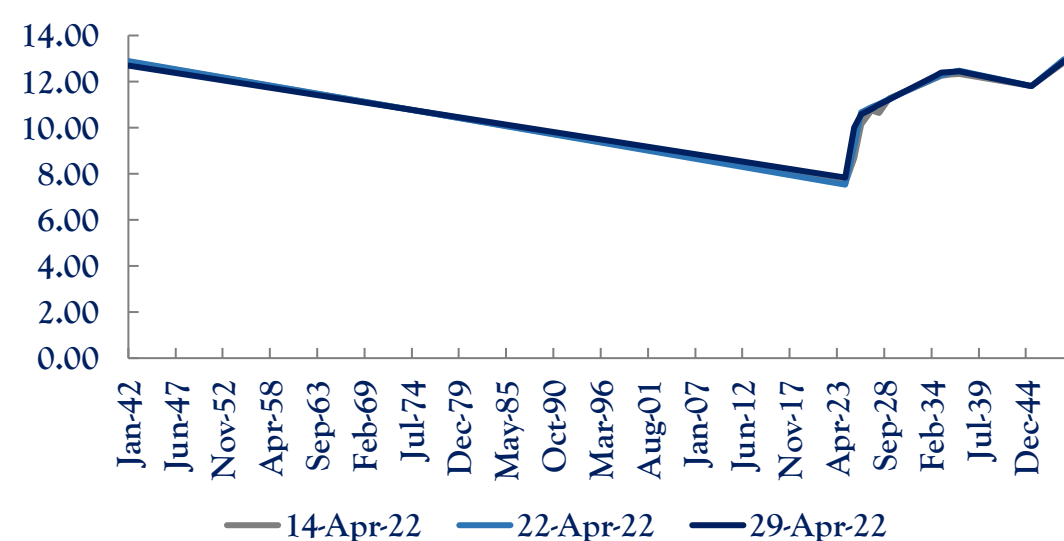


FIG 3: FGN BOND YIELD CURVE (%)



FOREIGN EXCHANGE

Nigeria's foreign exchange reserve declined for the third consecutive week reaching its lowest level since October 8, 2021. In particular, the FX reserve fell by USD175.17 million w/w to USD38.84 billion.

Similarly, The Naira depreciated for most trading sessions at both the I & E FX window and NAFEX.

At the close of the trading season on Thursday, the naira was flat at NGN419.03/USD at the I&E window but depreciated by 1.2% to NGN606.00/USD at the parallel market.

OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude depreciated by -0.19% w/w to close at \$110.28 per barrel. While Gold appreciated by 1.95% to close at \$1846.51.

Accordingly, the OPEC Basket price closed at \$114.79 per barrel for the week indicating a 2.15% weekly gain. Likewise, Nigeria's headline crude, Bonny Light closed at \$115.1 for the week indicating an increase of 1.84%.

In the coming week, Oil prices are projected to fall as a result of predictions that weaker global growth will diminish demand.

TOP BUSINESS HEADLINES FOR THE WEEK

- World Bank Commits \$30bn to Address Global Food Crisis.
- FG Approves N169.72bn Private Sector Investments in Roads.
- Total Energies to sell off 10% stake in NNPC & SPDC JV .

INTERBANK OFFERED RATE

	13-May-22	20-May-22	Change(%)
OPR	8.67	12.25	+41.29
OVN	9.17	12.50	+36.31

OIL & COMMODITIES PRICES

Instrument	13-May-2022	20-May-2022	Change (%)
Brent Crude	\$112.37	\$114.79	2.15
WTI Oil	\$110.49	\$110.28	-0.19
Gold	\$1811.28	\$1846.51	1.95
Nigeria Bonny Light	\$113.02	\$115.1	1.84

FOREIGN EXCHANGE (Spot & Forward rates)

Tenor	Closing Rate (\$/N)
I&E FX Window	419.03
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

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