

## WEEKLY ECONOMIC AND MARKET RECAP

### NIGERIAN ECONOMY

According to the International Monetary Fund's (IMF) October World Economic Outlook (WEO), Nigeria's growth projections for 2022E and 2023E have been lowered by 0.2ppts to 3.2% y/y and 3.0% y/y, respectively. The weaker outlook from the multilateral organization was due to a downward revision of growth projections for some of the country's trading partners.

In addition, tighter financial, and low oil inflows amid reduced crude oil production and monetary conditions were identified as reasons for the downward revision. The Washington-based organization predicted that the rate of global growth will decrease from an estimated 6.1% in 2021 to +3.6% in 2022.

Given that the MPC is expected to maintain its strong approach, we expect that FY 2022 growth will vary between +2.8% and +3%. The impact of a devalued Naira is also likely to have an effect on private sector productivity and overall growth.

### EQUITIES

The local bourse ended the week on a positive note as the All Share Index (NGX ASI) appreciated by 0.46% Week-on-Week to settle at 47,569.04 basis points with buying interest seen in stocks such as MAYBAKER (+13.82%), NEIMETH (+9.52%), HONYFLOUR (+8.84%), BUACEMENT (+8.65%), and GTCO (+5.29%). Consequently, the Month-To-Date (MTD) return depreciated by -2.97% as the Year-To-Date (YTD) return remained positive to settle at 11.36% from 10.85% with Market Capitalization settling at 25.91trn Naira at the close of the trading session.

Sector performance was mixed for the week as the NGX-Industrial Index was the highest gainer (+3.17%), followed by NGX-Banking Index(+1.93%) While, NGX-Oil/Gas Index declined by (-2.13%), and NGX-Consumer Goods Index (-0.74%), respectively.

### GLOBAL ECONOMY

According to data from the Bureau of Labor Statistics, U.S. inflation hit 8.2% year over year, down by 10 basis points from the 8.3% recorded in August, while the rate of price increases is still at long-term highs, High food prices, shelter, and medical care drove the consumer price index up for September by 0.4%, compared to August's 0.1%. Energy price growth slowed to 19.8% y/y in September (August: 23.8% y/y).

Meanwhile, despite persistently high inflation and quickly rising interest rates, households reduced their purchases of automobiles and other expensive products like electronics and appliances in September, causing retail sales to unexpectedly remain unchanged.

Despite the decline in the Y-O-Y inflation, we expect the Fed to continue tightening its rate until the inflation rate is back to a desirable state.

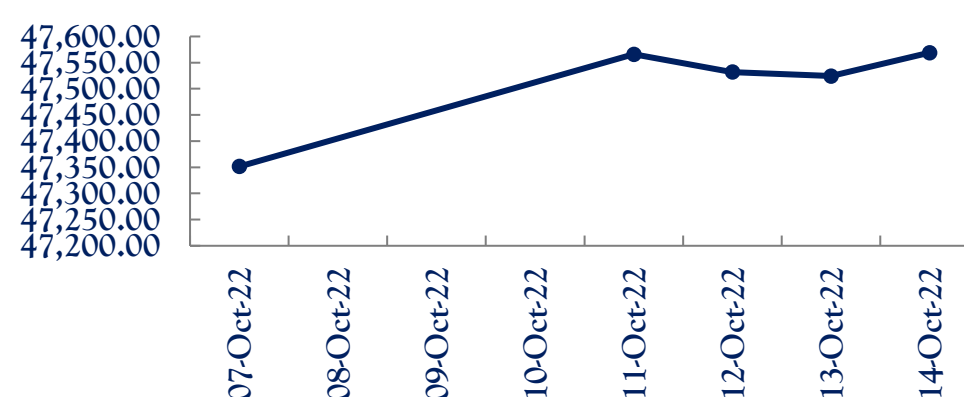
### ECONOMIC INDICATORS

| Economic Indicators | Current         | Previous        |
|---------------------|-----------------|-----------------|
| GDP Growth          | 3.54%           | 3.11%           |
| Unemployment        | 33.3%           | 33.3%           |
| MPR                 | 15.5%           | 14.00%          |
| External Reserve    | \$38.95 billion | \$38.88 billion |
| Inflation           | 20.52%          | 19.64%          |

### KEY METRICS

| Metrics                       | Outcome   |
|-------------------------------|-----------|
| All-Share Index               | 47,569.04 |
| WTD                           | 0.46%     |
| MTD                           | -2.97%    |
| YTD                           | 11.36%    |
| 52-week High                  | 54,085.30 |
| 52-week Low                   | 24,026.05 |
| Market Capitalization (N'trn) | 25.791    |

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



### SECTOR PERFORMANCE

| Index              | Wk. Close<br>07-Oct-2022 | Wk. Close<br>14-Oct-2022 | %<br>WTD | % YTD |
|--------------------|--------------------------|--------------------------|----------|-------|
| NGX-Banking        | 366.42                   | 373.48                   | 1.93     | -8.03 |
| NGX-Industrial     | 1,767.43                 | 1,823.48                 | 3.17     | -9.20 |
| NGX Oil/Gas        | 503.10                   | 492.37                   | -2.13    | 42.71 |
| NGX-Consumer Goods | 581.43                   | 577.12                   | -0.74    | -2.06 |

## GLOBAL MARKET

Global markets performed mixed as investors analyzed the outlook for the Federal Reserve's subsequent interest-rate hikes and the US economy's durability.

In the US market, the Dow Jones increased by (+1.15%) week-on-week. While the S&P 500 and Nasdaq fell by (-1.55%) and (-3.11%) respectively.

Likewise, the European market showed a mixed performance, FTSE 100 declined by (-1.89%), While CAC 40 increased (+1.11%), and Euro STOXX (+0.19%).

The Asian market showed a bearish performance, the Hang Seng decreased by (-6.50%), followed by the China A50 (-0.68%), and Nikkei 225 (-0.09%).

## MONEY MARKET AND FIXED INCOME

### MONEY MARKET

Given the ongoing instability of the liquidity system, funding rates remained double-digit throughout the last week.

At the close of trading on Friday, the Open Repo Rate (OPR) decreased by -6.26% to 16.17 W-o-W, While Overnight Rate (O/N) increased by +1.54% W-o-W, to close at 16.50.

### FGN BONDS AND TREASURY BILLS

The treasury bill market was relatively calm last week, with the average benchmark yield remaining constant for the majority of trading sessions.

However, on Friday the market closed mildly bullish as the average benchmark yield contracted to 7.30 and 10.25 for the treasury bills and OMO bills respectively.

Following the MPR increase, the primary auction rates for Nigerian Treasury Bills skyrocketed. the CBN offered bills worth NGN190.89 billion - NGN14.27 billion for the 91-day, NGN25.56 billion for the 182-day, and NGN151.06 billion for the 364-day - to market participants. The rates on the 91-day, 182-day, and 364-day increased significantly by 99bps, 150bps, and 225bps to settle at 6.495, 7.50%, and 12% respectively. The bid-to-offer ratio for the three tenors stood at 0.20x, 0.17x, and 2.15x accordingly.

Despite the negative yield return and increasing inflation, the bond market saw some buying interest last week, with a preference for short-term bonds.

At the close of the trading session on Friday, it closed bearish with the average benchmark yield curve increasing by 86bps% (W-o-W) to 14.12%.

The bond market is expected to continue gloomy in the coming week as investors focus on the FGN Bond PMA.

## TOP GAINERS

| COMPANY    | OPEN | CLOSE | GAIN (N) | % CHANGE |
|------------|------|-------|----------|----------|
| MAYBAKER   | 3.69 | 4.20  | 0.51     | ▲ 13.82  |
| IKEJAHOTEL | 1.13 | 1.24  | 0.11     | ▲ 9.73   |
| NEIMETH    | 1.26 | 1.38  | 0.12     | ▲ 9.52   |

## TOP LOSERS

| COMPANY  | OPEN  | CLOSE | LOSS (N) | % CHANGE |
|----------|-------|-------|----------|----------|
| UACN     | 10.25 | 9.00  | -1.25    | ▼ -12.20 |
| FTNCOCOA | 0.30  | 0.27  | -0.03    | ▼ -10.00 |
| GSPECPLC | 2.75  | 2.48  | -0.27    | ▼ -9.82  |

FIG 2: T-BILLS YIELD CURVE (%)

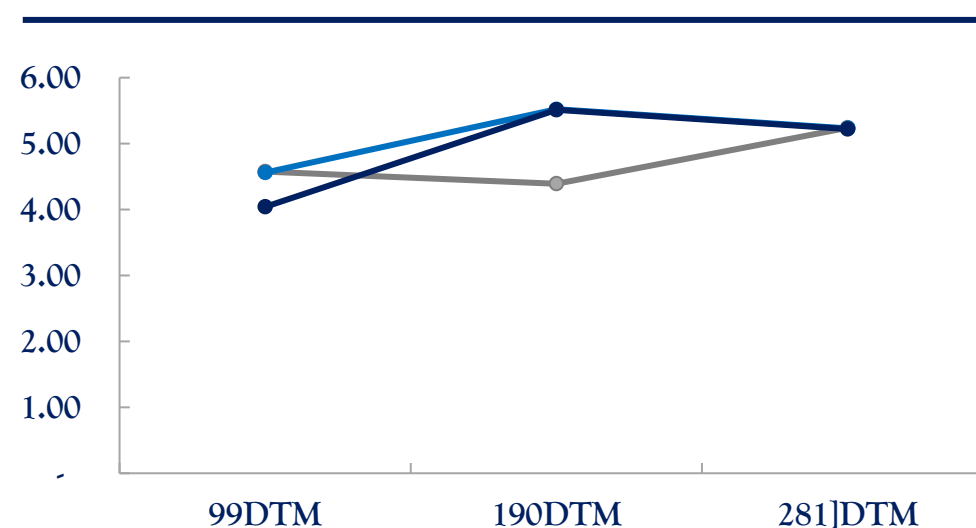
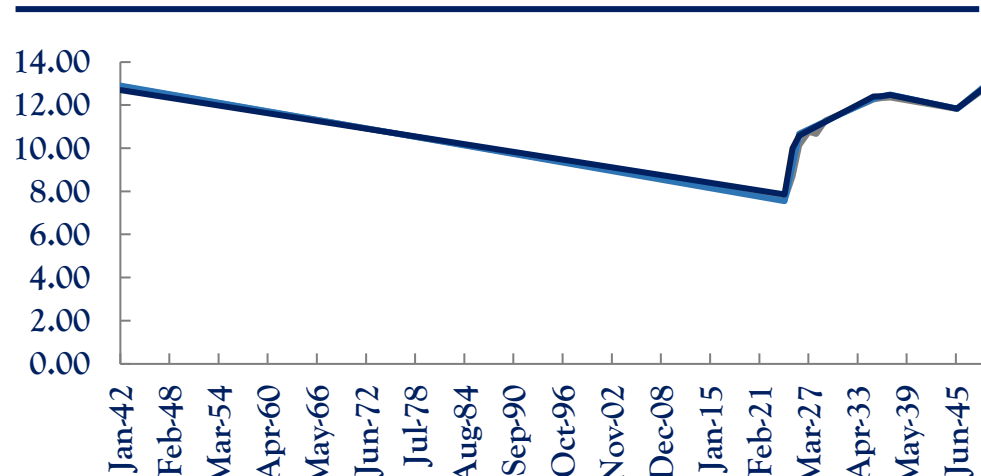


FIG 3: FGN BOND YIELD CURVE (%)



## FOREIGN EXCHANGE

The Naira fell to N441.38/USD at the Investor and Exporter fixing on Friday, representing a week-on-week decrease of 0.5%. Likewise at the parallel market, the naira depreciated by 1.1% to NGNN743.00/USD.

Total turnover recorded at the I & E Window indicated a decrease of 21.5% week-on-week to USD333.55million.

Elsewhere, Nigeria's FX reserves declined for the sixth consecutive week, declining by USD165.65million (WoW) to USD37.91 billion.

## OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude depreciated by 1.87% w/w to close at \$91.46 per barrel. Likewise Gold depreciated by 3.34% to close at \$1,652.1 from \$ 1,709.1.

Accordingly, the OPEC Basket price closed at \$85.55 per barrel for the week indicating a 12.96% weekly loss.

## TOP BUSINESS HEADLINES FOR THE WEEK

- Assets of Deposit Money Banks Grew by 15.3% to N62.9trn in 2021 – The State of Enterprise Report 2022.
- Nigeria's Non-Oil Export Hits \$2.6bn In Six Months – NEPC.
- Nigeria's Rising deficit and declining revenue raise concerns over N20.51tr 2023 budget.

## INTERBANK OFFERED RATE

|     | 07-Oct-22 | 14-Oct-22 | Change(%) |
|-----|-----------|-----------|-----------|
| OPR | 17.25     | 16.17     | -6.26%    |
| OVN | 16.25     | 16.50     | +1.54%    |

## OIL & COMMODITIES PRICES

| Instrument  | 07-Oct-2022 | 14-Oct-2022 | Change (%) |
|-------------|-------------|-------------|------------|
| Brent Crude | \$98.29     | \$85.55     | -12.96     |
| WTI Oil     | \$93.20     | \$91.46     | -1.87      |
| Gold        | \$1709.1    | \$1652.1    | -3.34      |

## FOREIGN EXCHANGE (Spot & Forward rate)

| Tenor         | Closing Rate (\$/N) |
|---------------|---------------------|
| I&E FX Window | 441.38              |
| 1M            | 418.51              |
| 3M            | 421.64              |
| 6M            | 434.08              |
| 1Y            | 448.82              |

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