

## WEEKLY ECONOMIC AND MARKET RECAP

### NIGERIAN ECONOMY

According to DMO's recent quarterly publication on external debt service, FGN's external debt service payments totaled about USD 598 million in Q2'22 approximately USD 299 million above FGN's debt service obligations for Q2'21. The total includes USD 457 million for market-related debt service payments and USD 141 million for non-market-related debt service payments. This significant year-on-year difference is due to USD300 million in principal payments on the Diaspora bond, which the government redeemed in June 2022.

FGN's domestic borrowing costs averaged around 12.2% over the same period. We envisage the cost of the FGN's new domestic borrowings to be significantly higher due to the sharp rise in bond yields this year.

Data from the Budget Office of the Federation showed that external debt service payments made about 29 percent (c.USD1.3bn) of total debt service cost in H1'22, with commercial debt service totaling c.66% of aggregate external debt service costs.

The 2023 budget proposal anticipates that approximately NGN1.76 trillion of the NGN8.8 trillion in borrowings required to cover the NGN10.8trn fiscal deficit will be sourced from external borrowings.

### EQUITIES

The local bourse ended the week on a negative note as the All Share Index (NGX ASI) depreciated by 1.09% week-on-week to settle at 43,912.64 basis points with sell-offs seen in stocks such as NEM (-15.16%), HONYFLOUR (-11.25%), UNILEVER (-10.42%) and DANGCEM (-10.00%).

Consequently, the Month-To-Date (MTD) return depreciated by -10.43% as the Year-To-Date (YTD) return remained positive settling at 2.80% for the week despite declining from 3.93% recorded in the previous week with Market Capitalization settling at 23.91trn Naira at the close of the trading session.

Sector performance showed mixed performance for the week as the NGX-Industrial Index recorded the highest gain (+0.34%), followed by NGX-Banking Index(+0.07%) while, NGX-Consumer Goods Index declined by (-0.36%) and NGX-Oil/Gas Index (-0.24%).

### GLOBAL ECONOMY

The U.S. economy grew at an annual rate of 2.6 percent in the third quarter, its first increase in 2022, indicating a sharp turnaround after six months of contraction, despite lingering fears that the country is at risk of a recession.

The positive result was due to contributions made from net trade (Q3:2.77% compared to 1.16% in Q2). However, imports fell by 6.9% (Q2:2.2%) while exports increased by 14.4% (Q2:13.8%), this was led by petroleum products, nonautomotive capital goods, and financial services.

Concurrently, non-residential investment increased by 3.7% (Q2:0.1%) owing to equipment and intellectual property increases.

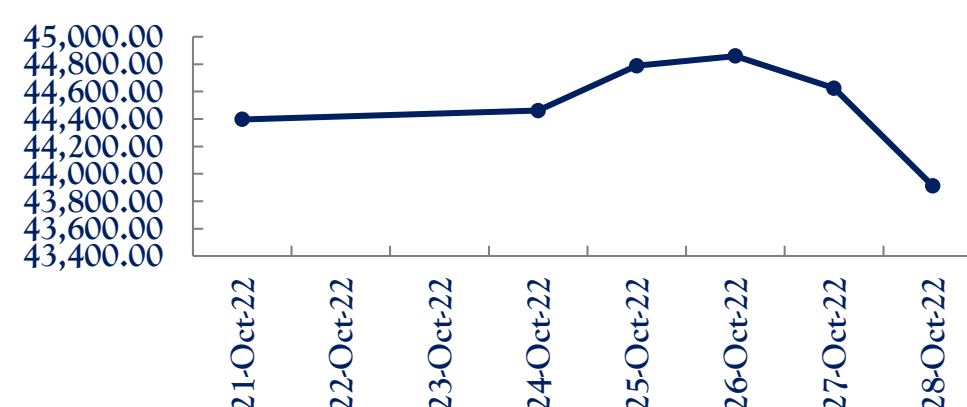
### ECONOMIC INDICATORS

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	20.77%	20.52%

### KEY METRICS

Metrics	Outcome
All-Share Index	43,912.64
WTD	-1.09%
MTD	-10.43%
YTD	2.80%
52-week High	54,085.30
52-week Low	24,026.05
Market Capitalization (N'trn)	23.91

FIG 1: NGX ALL SHARE INDEX - 5 DAYS CHART



### SECTOR PERFORMANCE

Index	Wk. Close 21-Oct-2022	Wk. Close 28-Oct-2022	% WTD	% YTD
NGX-Banking	377.79	378.05	0.07	-6.90
NGX-Industrial	1,882.17	1,888.51	0.34	-5.96
NGX Oil/Gas	485.21	484.03	-0.24	40.29
NGX-Consumer Goods	572.02	569.98	-0.36	-3.28

However, residential investment fell for the sixth quarter (-26.4%) as rising mortgage rates hit the housing market.

Furthermore, consumer spending increased at a slower rate (Q3: 1.4%, Q2: 2%), but remained resilient as higher outlays on services (led by health care) offset a decline in goods, namely motor vehicles and food and beverages.

### GLOBAL MARKET

In the US market, the Dow Jones increased by (+5.72%) week-on-week. Likewise, the S&P 500 and Nasdaq rose by (+3.95%) and (+2.24%) respectively.

The European market showed a bullish performance, FTSE 100 increased by (+1.12%), Likewise CAC 40 increased (+3.94%), and Euro STOXX (+3.92%).

The Asian market showed a mixed performance, the Hang Seng decreased by (-8.32%), followed by China A50 (-7.85%), and Nikkei 225 (+0.80%).

### MONEY MARKET AND FIXED INCOME

#### MONEY MARKET

Interbank rates remained high last week despite the N69.48 billion inflow of FGN bond coupons.

At the close of trading on Friday, the Open Repo Rate (OPR) fell by -0.98% to 16.27% W-o-W while the Overnight Rate (O/N) remained flat at 16.50% W-o-W.

#### FGN BONDS AND TREASURY BILLS

The treasury bills secondary market was broadly bearish for the previous week..

However, the average benchmark yield for NTB and OMO bills rose to 10.99% and 10.89% on Friday, indicating a week-on-week rise of +43.3% and +6.56% respectively.

**We envisage that the increasing yield at the NTB and OMO bills market will attract buying interest from investors.**

The Treasury bond secondary market ended the week bullish with the average benchmark yield rising to 14.66% by 216bps on a week-on-week basis.

Investor's subscriptions at the NTB primary auction fell by -54.6% with only N109.19 billion notes sold against N240.26 billion offered. The treasury bill market has been under-subscribed following the increased demand for higher yields.

The rates on the 91-day, 182-day, and 364-day notes offered increased by 3bps, 15bps, and 150bps to 6.50%, 8.05%, and 14.50%, respectively. The bid-to-offer ratio across the three papers was 0.70x, 0.18x, and 0.83x, respectively.

### TOP GAINERS

COMPANY	OPEN	CLOSE	GAIN (N)	% CHANGE
RTBRISCOE	0.28	0.33	0.05	▲ 17.86
BUACEMENT	62.00	70.00	8.00	▲ 12.90
FTNCOCOA	0.27	0.30	0.03	▲ 11.11

### TOP LOSERS

COMPANY	OPEN	CLOSE	LOSS (N)	% CHANGE
NEM	4.42	3.75	-0.67	▼ -15.16
HONYFLOUR	2.40	2.13	-0.27	▼ -11.25
UNILEVER	12.00	10.75	-1.25	▼ -10.42

FIG 2: T-BILLS YIELD CURVE (%)

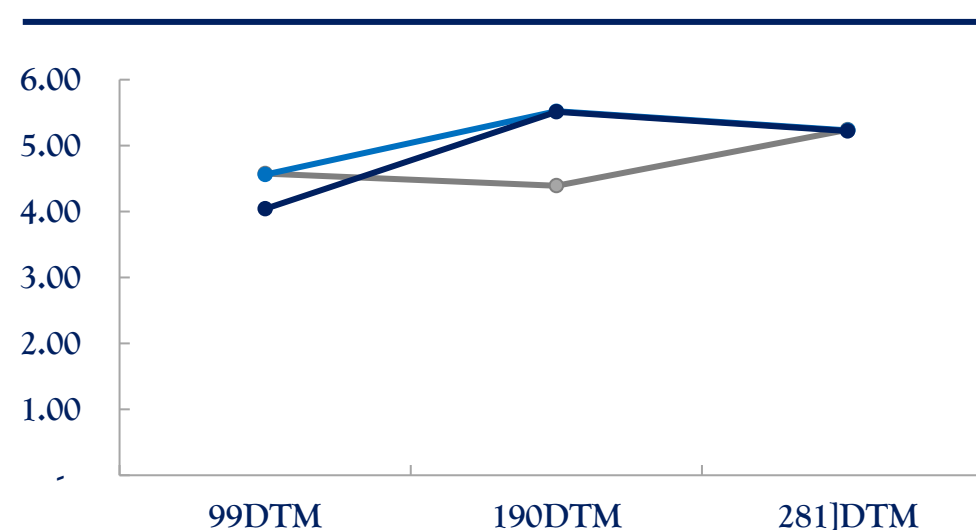
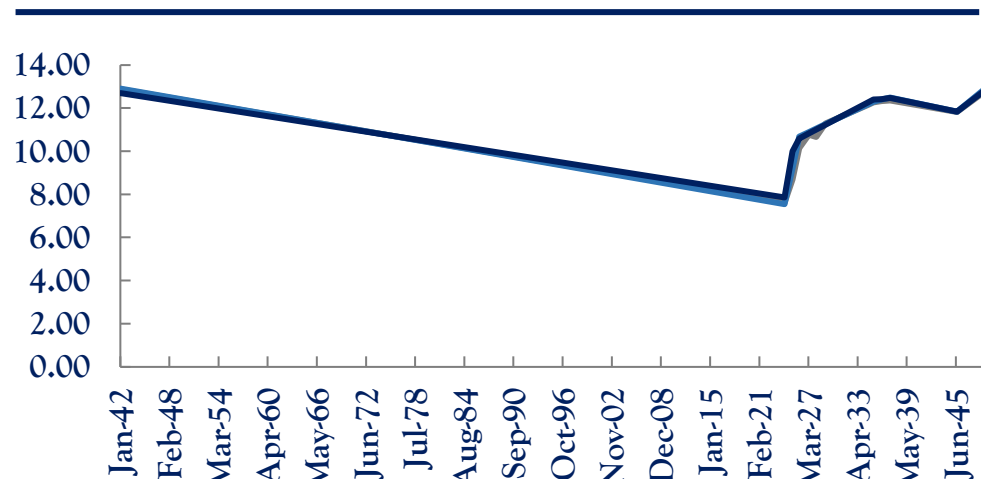


FIG 3: FGN BOND YIELD CURVE (%)



## FOREIGN EXCHANGE

The Naira depreciated to N444.75/USD from N441.67/USD at the Investor and Exporter fixing on Friday, representing a week-on-week increase of 0.70%.

Likewise, at the Nigerian Autonomous Foreign Exchange Fixing (NAFEX), it depreciated to N441.75/USD from N440.76/USD, representing a week-on-week increase of 0.22%.

## OIL PRICES AND COMMODITIES

Over the week, the West Texas Intermediate (WTI) Crude appreciated by 5.21% w/w to close at \$88.38 per barrel. While Gold depreciated by -0.42% to close at \$1,646.4 from \$ 1,653.4.

Accordingly, the OPEC Basket price closed at \$94.22 per barrel for the week indicating a 0.66% weekly gain.

## TOP BUSINESS HEADLINES FOR THE WEEK

- FG subsidy spending to hit N11tn in 2023.
- Airlines Spend \$192bn on Jet-A1 in 2022 – Report .
- Nigeria’s Natural Gas Consumption Rises to 1.3m Tons.
- NUPRC Targets Unlocking 1.2mbpd Shut-in Capacity to Surpass OPEC Quota.
- Nigeria Loses Three Million Oil Barrels Monthly – FG.

## INTERBANK OFFERED RATE

	21-Oct-22	28-Oct-22	Change(%)
OPR	16.17	16.33	-0.98
OVN	16.50	16.50	+0.00

## OIL & COMMODITIES PRICES

Instrument	21-Oct-2022	28-Oct-2022	Change (%)
Brent Crude	\$93.60	\$94.22	0.66
WTI Oil	\$84.00	\$88.38	5.21
Gold	\$1653.4	\$1646.4	-0.42

## FOREIGN EXCHANGE (Spot & Forward rate)

Tenor	Closing Rate (\$/N)
I&E FX Window	444.75
1M	418.51
3M	421.64
6M	434.08
1Y	448.82

### For enquiries, please contact us at:

Phoenix Global Capital Markets Limited  
9a, Sir Samuel Manuwa Street,  
Victoria Island,  
Lagos,  
Nigeria.

Email: [info@phoenixcapital.africa](mailto:info@phoenixcapital.africa)

Website: [www.phoenixcapital.africa](http://www.phoenixcapital.africa)

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