

# Monthly Market Report

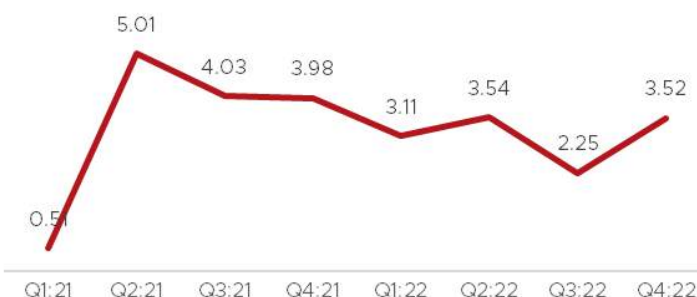
## February 2023

### Gross Domestic Product

According to the National Bureau of Statistics (NBS), the Nigerian economy grew by 3.52% YoY in real terms in Q4 2022 (vs 2.25% in Q3 2022). However, it declined when compared to 3.98% in Q4 2021. The positive growth during the quarter was majorly driven by the service sector which recorded a growth of 5.69%. On the other hand, aggregate GDP grew by 3.10% (vs 3.40% in 2021).

The Oil sector contracted by 13.38% during the quarter, compared to -22.67% in Q3 2022 and -8.06% in Q4 2021. The sector's poor performance can be linked to lower oil output, which stood at 1.34 million barrels per day compared to 1.50 million barrels per day in the same quarter last year. The non-oil industry, on the other hand, expanded by 4.34%, compared to 5.66% in Q3 2022 and 4.73% in Q4 2021.

Real GDP (YoY %)



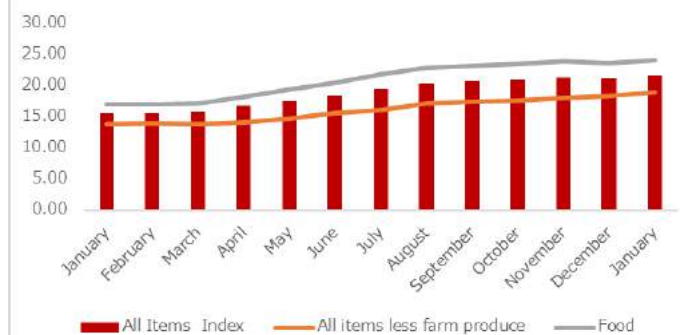
**Outlook:** We anticipate a slowdown in GDP growth in Q1 2023 due to factors affecting the nation's productive activities, such as the weakening of the Naira and its impact on importation costs, the Naira swap policy, which has led to general Naira scarcity, fuel shortages in many states, and an increase in energy prices. The expectation of a GDP drop may however be tempered by growth in oil output.

### Inflation

After falling by 13bps in December 2022, Nigeria's inflation rate jumped by 47bps in January to a record high of 21.82% (YoY), up from 21.34% (YoY) in December. This increase was largely driven by a surge in the price of bread and cereal (21.67%), Actual and Imputed Rent (7.74%), Potatoes, Yam, and Tuber (6.06%), Vegetables (5.44%) and Meat (4.78%). Similarly, on month-on-month (MoM) basis, headline inflation increased by 1.87% from 1.71% recorded the previous month.

Food inflation also increased by 57bps, rising to 24.32% (YoY) from the 23.75% (YoY) recorded in December. On the other hand, core inflation increased by 67bps to 19.16% (YoY) from 18.49% in December 2022.

INFLATION (YoY %)



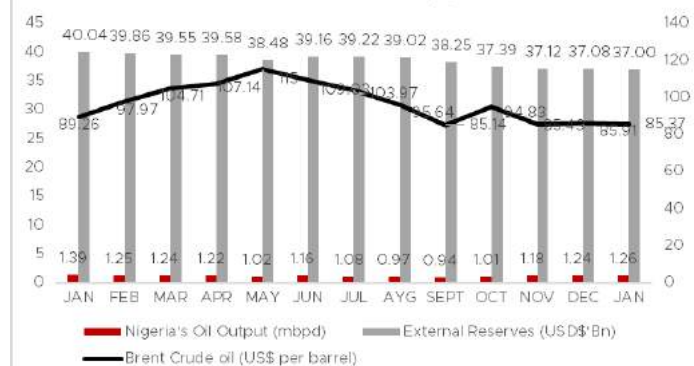
**Outlook:** In the month of March, we anticipate a further increase in inflation as a result of Naira scarcity, higher fuel prices resulting to higher transportation costs, and increased spending due to the general election.

### Brent Crude Oil

Nigeria's crude oil production has continued to recover from its downward trend, as the government continues to combat pipeline vandalism and crude oil theft. In January, the country's crude oil production stood at 1.26 million barrels per day (mbpd), up from 1.24 mbpd in December 2022. Despite increased crude oil output, the country still falls short of the OPEC quota of 1.8 million barrels per day which contributed to the fall in foreign reserve by 0.81% (USD\$30bn).

Nevertheless, crude oil prices declined 1.83% to \$83.811 in February as the US released strategic reserves, increasing oil supplies; also, during the month, a spike in US inflation led to an increase in Fed rates, which weighed on market sentiment.

BRENT CRUDE OIL (\$)

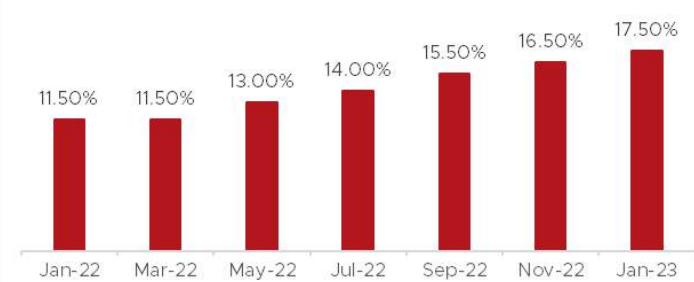


**Outlook:** Due to a negative trade balance, that is, more imports over exports, the CBN constant intervention in the Naira, and significant government expenditure, we believe that foreign reserves would maintain its downward trajectory. Yet, we anticipate an increase in crude oil production this month as the federal government continues to implement the necessary interventions and technology to combat crude oil theft.

### Monetary Policy

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) held its first meeting of the year on the 23rd and 24th of January 2023. Regardless of the year-on-year (YoY) decline in inflation for December 2022, the MPC voted to increase rates by 100 basis points (bps) to 17.50%. This increase is coming after a 500-basis point increase in 2022 as the committee focused on combating the country's rising inflation.

Monetary Policy Rate



**Outlook:** With the increase in January inflation figure and an expected increase in February, we anticipate a hold or marginal hike in MPR at the next Committee meeting, scheduled for March 20th and 21st, 2023, as the Committee continues its fight against inflation.

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### Equities

The Nigerian equities market closed the month a bullish note, as the NGX-ASI and Market capitalisation grew by 4.81% to settle at 55,806.26 points (vs. 53,246.04 points in January) and N30.40 trillion (vs. N29.00 trillion in January) respectively. Gains during the month were majorly driven by increase positioning in highly capitalized listings such as COINIL (76.79%), GEREGU (42.30%), STANBIC (24.29%), BUAFOODS (20.81%), SEPLAT (20.45%) and WAPCO (9.16%). Hence, Year-to-Date return stood to 8.90% (vs. 2.63% in January).

Transaction level was mixed, as total volume traded increased by 35.50% to 6.07 billion units (vs 44.92 billion units in January) whereas value dropped by 0.85% to close at N93.01 billion (vs N93.81 billion in January).

Sectoral performance was mainly bullish as the Oil and Gas (15.97%) Consumer Goods (8.24%), Banking (3.99%), and Industrial (2.57%) indices recorded gains at the end of the month, whereas the Insurance sector (2.26%) recorded the only loss for the period. Market breadth closed positive at 1.33x as the period recorded a total of 48 gainers and 36 losers only.

We are of the opinion that the equities market performance for March 2023 will largely be determined by the following factors:

- Investors reaction to the release of the year-end audited financial and dividend benefits. However, we anticipate largely positive earnings and dividend announcements which should drive the market upward trend in the short-term.
- Activities in the primary segment of the fixed income market
- Investors reaction to the outcome of the general elections.
- Share price adjustments for declared dividends

We expect increased positioning post-dividend adjustment, as low prices will attract traders and investors alike.

### Equities Market Summary

	28-Feb	31-Jan	% Change
NGX-ASI	55,806.26	53,246.04	4.81%
CAP (N'BN)	30,400.66	29,001.68	4.82%
VOLUME (mn)	6,086.58	4,491.96	35.50%
Value (N'mn)	93,010.16	93,807.88	0.85%

### Sector Index Performance

	28-Feb	31-Jan	% Change
NGX-BANKING INDEX	466.76	448.85	3.99%
NGX-INDUSTRIAL INDEX	2517.77	2454.72	2.57%
NGX-INSURANCE INDEX	179.55	183.71	2.26%
NGX-OIL & GAS INDEX	565.38	487.51	15.97%
-CONSUMER GOODS INDEX	673.39	622.15	8.24%

### Gainers

S/N	COMPANY	CLOSE	OPEN	GAINS	%CHANGE
1	TRIPPLEG	2.62	0.96	1.66	172.92%
2	MRS	36.85	16.00	20.85	130.31%
3	CONOIL	46.85	26.5	20.35	76.79%
4	INTENEGINS	1.19	0.75	0.44	58.67%
5	NNFM	11	7.4	3.60	48.65%
6	GEREGU	275.5	193.6	81.90	42.30%
7	JOHNHOLT	1.76	1.33	0.43	32.33%
8	OANDO	4.8	3.85	0.95	24.68%
9	STANBIC	41.7	33.55	8.15	24.29%
10	BUAFOODS	90	74.50	15.50	20.81%

### Losers

S/N	COMPANY	CLOSE	OPEN	LOSS	%CHANGE
1	MBENEFIT	0.33	0.39	-0.06	15.38%
2	JAPAUFGOLD	0.28	0.33	-0.05	15.15%
3	RTBRISCOE	0.27	0.31	-0.04	12.90%
4	ARDOVA	16.90	19.10	-2.20	11.52%
5	MULTIVERSE	3.96	4.4	-0.44	10.00%
6	VERITASKAP	0.2	0.22	-0.02	9.09%
7	VITAFOAM	19.4	21.2	-1.80	8.49%
8	UACN	9	9.8	-0.80	8.16%
9	CWG	0.9	0.97	-0.07	7.22%
10	NEIMETH	1.45	1.56	-0.11	7.05%

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### Fixed Income

The fixed income market was dominated by bearish sentiments, with investors showing a negative sentiment towards the NT-Bills and OMO markets, while the bond market exhibited a positive sentiment.

Investors expressed positive sentiment with the instruments listed at all price tiers of the FGN bond market. As a result, average yields decreased by 8bps to 13.21% (vs 13.35% in January). Notably, the 23-Mar-25 instrument emerged as the most traded instrument for the month.

During the month of February, two auctions were held in the NT-Bills primary market. At the first auction which took place on the 8th of February 2023, the 91-days, 182 days, and 362-days instrument closed with a stop rate of 0.1%, 0.30% and 2.24% respectively.

The second auction, which took place on February 22nd, 2023, ended with a higher stop rate for the 91-days, 182-days, and 362-days instruments, which stood at 3.0%, 3.24%, and 9.90%, respectively.

The NT-Bills secondary market noted the listing of two new instruments during the month, specifically the 25-Jan-24 and 08-Feb-24 instruments, also it witnessed the maturity of the 23-Feb-23 instrument. Thus, the NT-Bills market ended the month on a pessimistic note as average yields jumped by 2.37% to 4.04% (compared to 1.56% recorded the prior month).

The OMO market saw minimal trades during the period, but these trades pushed the market towards the bearish region. As a result, average yields rose by 1.79% to 3.76% (up from 1.97% in January). Also, the market witnessed the maturation of two instruments, namely the 14-Feb-23 and 21-Feb-23 maturities.

System liquidity closed lower as it declined by 18.75% to N829.98 billion compared to N1.02 trillion recorded the previous month. However, Open-Buy-Back rate stood unchanged at 10.50% whereas and Overnight rate dipped by 17bps to 10.83%

Naira depreciated against the US dollar at the Investors and Exporters Window, the CBN official spot rate and parallel market as each closed at N461.35, N460.97 and N756 (vs N461.50, N445 and N745/USD in January.)

**OUTLOOK:** In the month of March, the fixed income market would be largely driven by the election outcomes and system liquidity. In the short term, we do not foresee any immediate outbreak of violent protests as the three main contending parties have put out publications urging their members to be calm as they proceed to the election tribunal.

### Federal Government Bond

	03-Feb-23	10-Feb-23	17-Feb-23	24-Feb-23
2-Year	8.05	6.58	6.98	6.86
4-Year	12.08	11.11	11.38	11.51
6-Year	13.95	14.03	14.03	13.89
8-Year	14.15	14.15	14.19	14.04
10-Year	14.3	14.3	14.39	14.31

### Nigerian Treasury Bills Auction Details

Auction Date	08-Feb-23	08-Feb-23	08-Feb-23
Allotment Date	09-Feb-23	09-Feb-23	09-Feb-23
Maturity Date	11-May-23	10-Aug-23	08-Feb-24
Tenor	91-Day	182-Day	364-Day
Offer (NGN'million)	4,522.00	1,314.90	211,227.30
Subscription (NGN'million)	9,837.92	15,044.86	1,031,200.30
Allotment (NGN'million)	4,522.00	1,314.90	411,227.30
Range of Bids (%)	0.10-5.50	0.30-6.50	1.499-17.50
Stop Rate(%)	0.10	0.30	2.24

Auction Date	22-Feb-23	22-Feb-23	22-Feb-23
Allotment Date	23-Feb-23	23-Feb-23	23-Feb-23
Maturity Date	25-May-23	24-Aug-23	22-Feb-24
Tenor	91-Day	182-Day	364-Day
Offer (NGN'million)	11,677.78	10,210.00	24,161.43
Subscription (NGN'million)	15,532.53	17,551.90	263,667.90
Allotment (NGN'million)	9,962.53	10,210.00	243,329.50
Range of Bids (%)	1.99-7.00	2.99-7.15	3.70-12.47
Stop Rate(%)	3.0	3.24	9.9

### Nigerian Treasury Bills Secondary Market

	03-Feb-23	10-Feb-23	17-Feb-23	24-Feb-23
91-Days	1.1	1.13	3.85	2.01
182-Days	1.61	0.22	4.17	4.16
364-Days	3.86	3.74	3.79	3.79

### Open Market Operation

	03-Feb-23	10-Feb-23	17-Feb-23	24-Feb-23
14-Feb-23	1.50	NA	NA	NA
21-Feb-23	1.27	0.45	NA	NA
07-Mar-23	2.10	0.40	4.51	4.51
02-May-23	3.02	3.02	3.02	3.02

### Foreign Exchange Rate

	03-Feb-23	10-Feb-23	17-Feb-23	24-Feb-23
NAFEX I&E	461.50	461.50	461.25	461.17
CBN OFFICIAL RATE	460.2	460.99	461.04	460.94
PARALELL MARKET RATE	758	755	780	762

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Notable Macroeconomic Release Data Calendar for March 2023

Release Dates	Reports
March 3rd	Nigerian Capital Importation (Q4 2022)
March 9th	Foreign Trade in Goods Statistics (Q4 2022 and Full Year 2022)
March 15th	CPI and Inflation Report February 2023
March 24th	Q4, 2022 Terms of Trade Report
March 30th	Nigerian Domestic and Foreign Debt Q4, 2022 Report