

Monthly Market Report

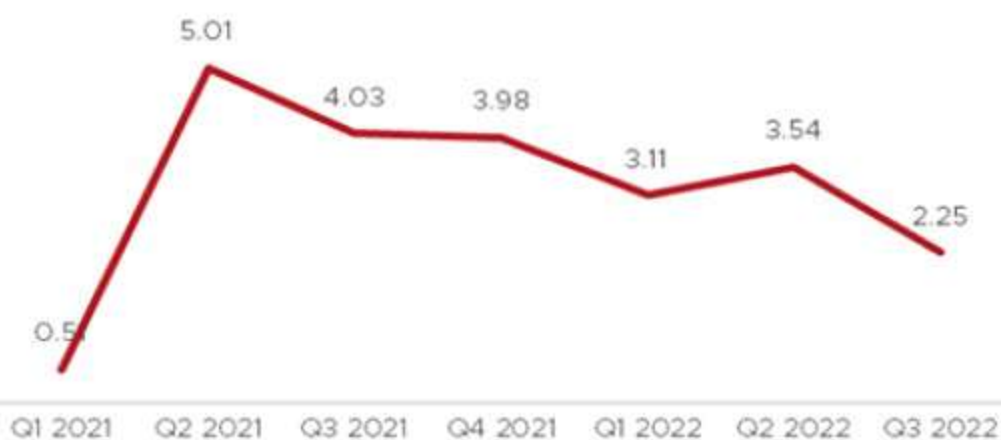
January 2023

Gross Domestic Product

In the month of November 2022, the National Bureau of Statistics (NBS) released the Q3 GDP figures for the country. During the quarter, Real Gross Domestic Product stood at 2.25% YoY (vs. 3.54% in Q2 2022). The reduction in growth is attributable to the base effect of the recession and the challenging economic conditions that have impeded productive activities.

Similarly, the Oil & Gas sector continued its downward trend as it fell further by 22.67% (vs. 11.77% in Q2 2022). Activities in the Non-Oil sector also recorded a slower growth of 4.27% vs 4.77% recorded the previous quarter.

GDP (YoY %)



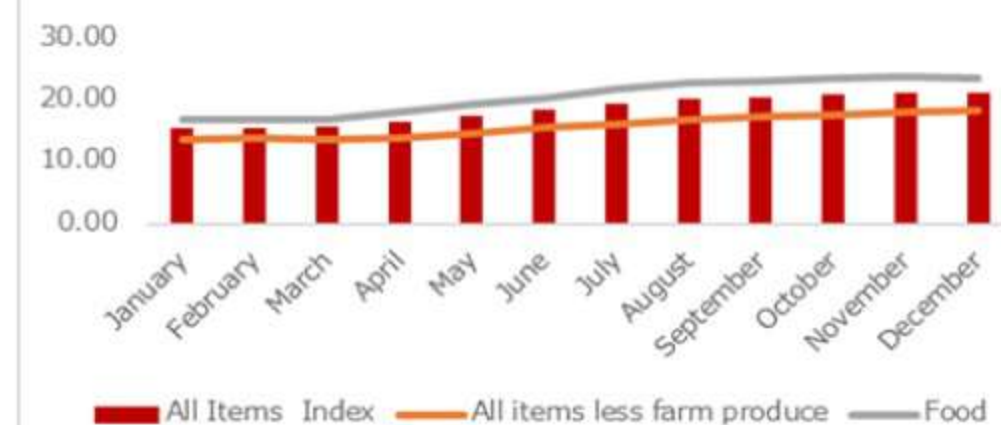
Outlook: According to the NBS calendar, GDP data for Q4 2022 and full year is expected to be released on the 22nd of February 2023. We expect further slowdown in the GDP growth rate as factors affecting productive activities in the country such as continual depreciation of the Naira and its effect on importation cost, rise in energy prices, and flooding affecting agricultural activities lingered within the period.

Inflation

In the month of December 2022, the inflation rate declined by 13bps to settle at 21.34% (vs 21.47% recorded in November 2022) regardless of the festive period which by general consensus was expected to result in an increase in general prices. According to the NBS data, the slowdown was largely driven by a decline in food prices. However, Month-on-Month (MoM) headline inflation increased by 1.71% from 1.39% recorded the month before, due to a sharp increase in consumer demand experienced during the festive season and cost of production.

Food inflation fell by 37bps to 23.75% (YoY) (vs. 24.13% in November). On the other hand, core inflation increased by 25bps to settle at 18.49% (YoY) (vs. 18.24% in November).

INFLATION (YoY %)

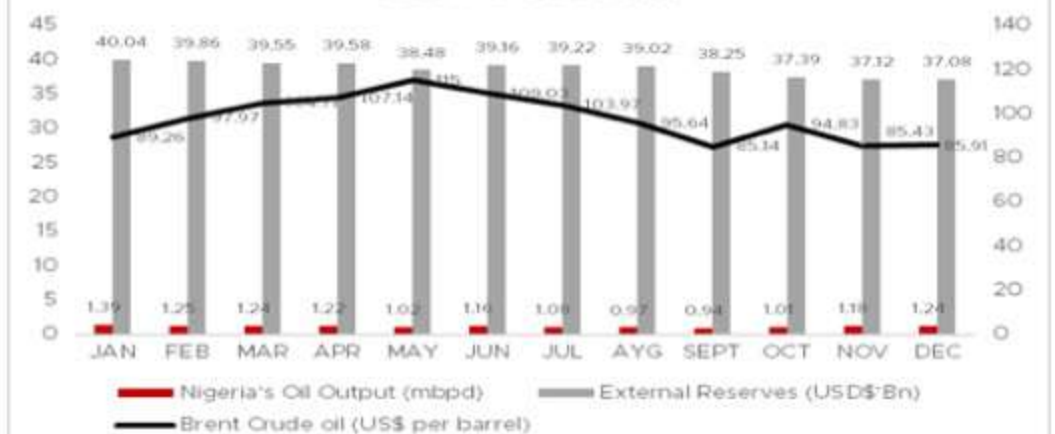


Outlook: We expect the inflation rate to remain elevated due to a rise in the price of premium motor spirit (PMS) and its consequence on the cost of transportation, and the scarcity of the Naira. We also expect further depreciation of the Naira in the parallel market.

Brent Crude Oil

Nigeria's oil production remains significantly below the OPEC quota (1.8 million bpd) amidst concerns of pipeline vandalization, crude oil theft and infrastructural gaps even as oil prices closed at US\$85.37 per barrel at the end of the January. Notwithstanding the elevated oil prices seen in the month, external reserves declined by 0.20% (US\$76.68mn) within the period to settle at US\$37.01 billion from US\$37.08bn recorded in December 2022, largely due to impaired oil output and inflows from foreign exchange sources.

BRENT CRUDE OIL (\$)

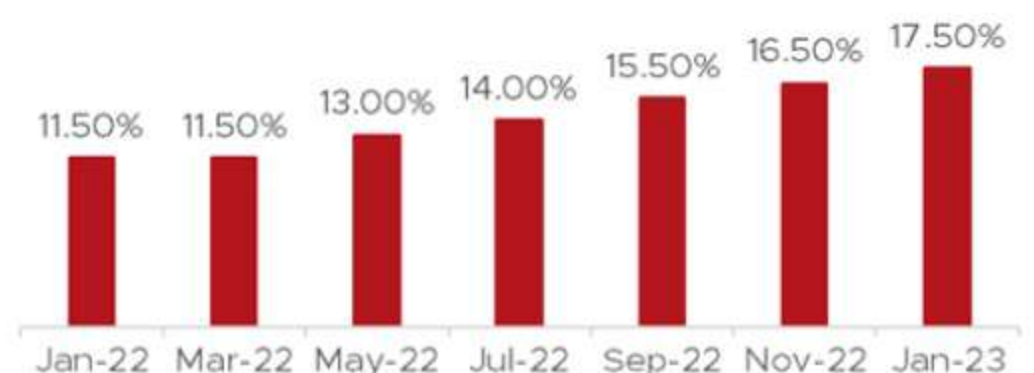


Outlook: Despite the persistent structural challenges impacting crude oil production, we expect Petro-dollar and their contribution to foreign reserve levels to remain low in the near term. However, for crude oil production we expect an increase in output for the month of January as federal government continues its fight against crude oil theft and vandalism.

Monetary Policy

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) met on the 23rd and 24th of January for its first meeting in the year 2023. The Committee voted to increase the Monetary Policy Rate by 100bps as it maintained its focus on fighting the high inflation rate in the country. Hence it was moved to 17.5% from 16.5% recorded at the previous meeting.

Monetary Policy Rate



Outlook: For February, Monetary Policy Rate would remain at 17.50% as the Monetary Policy Committee meets for its next meeting on the March 20th and 21st 2023. We however expect the increase to have impacted cost of funds generally, with lenders citing the increase in the benchmark lending rate

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Equities

The Nigerian equities market closed the month of January on a positive note, as the NGX-ASI and Market capitalisation grew by 3.89% to settle at 53,246.04 points (vs. 51,251.06 points in December) and N29.00 trillion (vs. N27.92 trillion in December) respectively.

Gains during the month were majorly driven by increased buying pressure in highly capitalized listings such as GEREGU (38.58%), UNILEVER (17.18%), TOTAL (16.06%), BUAFOODS (14.62%), CAP (14.04%) and AIRTELAFRI (11.56%). The month's upward trend pushed the Year-to-Date return to 2.63% (vs. 19.98% in December).

Transaction level decreased, as volume and value dropped by 75.29% and 27.12% to close at 220.09 million units and N5,360.97 million respectively.

Performance across sectors was also bullish as the Banking sector (7.51%), consumer goods (5.64%), Oil and gas (5.41%) Insurance sector (5.36%), and Industrial sector (2.14%) recorded gains at the end of the month. Market breadth closed positive at 4.50x as the period recorded a total of 63 gainers and 14 losers only.

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

- Investors reaction to the release of the year-end audited financials 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.
- Developments in the political space as we approach the coming elections
- Impact of higher production and importation costs on the real sector earnings

We expect the equities market to post a positive return in February 2023 as positive reaction to corporate earnings and benefit declaration should push the benchmark index higher into the green zone.

Market Summary

	31-Jan	30-Dec	% Change
NGX -ASI	53,246.04	51,251.06	3.89%
MKT CAP (N'BN)	29,001.68	27,915.26	3.89%

SECTOR INDEX PERFORMANCE

	31-Jan	30-Dec	% Change
NGX -BANKING INDEX	448.85	417.5	7.51%
NGX -INDUSTRIAL INDEX	2454.72	2403.24	2.14%
CONSUMER GOODS INDEX	622.15	588.93	5.64%
NGX -OIL & GAS INDEX	487.51	462.48	5.41%
NGX -INSURANCE INDEX	183.71	174.36	5.36%

Gainers

S/N	COMPANY	OPEN	CLOSE	GAIN	%CHANGE
1	JOHNHOLT	1.33	0.73	0.60	82.19%
2	THOMASWY	1.31	0.89	0.42	47.19%
3	GEREGU	193.6	139.7	53.90	38.58%
4	MBENEFIT	0.39	0.29	0.10	34.48%
5	NAHCO	8.1	6.3	1.80	28.57%
6	PRESCO	150.8	125	25.80	20.64%
7	REGALINS	0.3	0.25	0.05	20.00%
8	RTBRISCOE	0.31	0.26	0.05	19.23%
9	FIDELITYBK	5.4	4.56	0.84	18.42%
10	JAPPAULGOLD	0.33	0.28	0.05	17.86%

Losers

S/N	COMPANY	OPEN	CLOSE	LOSS	%CHANGE
1	ROYALEX	1.17	0.71	0.46	-39.32%
2	UACN	11.10	9.80	1.30	-11.71%
3	HONYFLOUR	2.33	2.08	0.25	-10.73%
4	NEM	4.50	4.10	0.40	-8.89%
5	UNITYBNK	0.54	0.5	0.04	-7.41%
6	CHAMPION	5.17	4.8	0.37	-7.16%
7	LIVESTOCK	1.09	1.02	0.07	-6.42%
8	PZ	11.35	10.75	0.60	-5.29%
9	NASCON	11.1	10.6	0.50	-4.50%
10	CWG	1.01	0.97	0.04	-3.96%

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Fixed Income

Mixed sentiment was recorded in the fixed income market as higher yields dominated the bond market whereas yields in the OMO and NT-bills market declined.

Regardless of the increased buying pressures recorded on short-termed instruments along the bond yield curves, activities in the market closed the month on a bearish note as investors' sold down long-termed instruments largely as a result of the increase in MPR. Hence, average yields gained by 31bps to close at 13.35% from 13.04%. The 26-Apr-49 and 24-Jan-26 stood as the most traded instrument for the month, whereas the 27-Apr-23 instrument and 14-Mar-24 instrument emerged as the most bought instrument in the month.

In the month of January, the NT-Bills market saw the listing of a new instrument (7-Dec-23) which caused an 11bps increase in average yields however buying pressure dominated trading during the remaining days of the month. As a result, average yields stood at 1.56% (vs 5.38% in December)

After the increase of the monetary policy rate in January by 100bps it was expected that new auctions in the NT-Bills market would be offered higher than the previous auction, this was however not the case as offer levels stood at N1.74 billion whereas subscription stood at N94.25 billion hence rates fell to 0.29% for the 91-days instrument, 1.80% for the 182-days instrument and 4.78% in 364-days instrument causing investors to move to the secondary segment in subsequent trading sessions..

At the OMO market, a quiet momentum dominated the start of the month, although this changed as investors bought into the 7-Mar-23 instrument hence dropping yields by 48bps. Subsequently, yields stood still in the coming days of the month. However, at the end of the period investors bought into the 21-Feb-23 instrument as result average yields dropped by 1.38% to 1.97% (vs 3.36%)

System liquidity opened the year on a positive note, appreciating by 74.71% to N1.02 trillion (vs 584.67 billion in December) as a result of an increase in opening balances.

OUTLOOK: As a result of the downgrade to Nigeria credit rating by Moody to Caa1 from B3 and the upcoming general election, we expect investors to play at the shorter end of the curve in the near term to manage the uncertainties in the horizon.

Federal Government Bond

	06-Jan-23	13-Jan-23	20-Jan-23	27-Jan-23	31-Jan-23
2-Year	10.82	11.02	10.60	7.80	8.00
4-Year	11.35	11.98	12.39	12.25	12.30
6-Year	13.30	13.15	13.73	13.72	14.22
8-Year	13.44	13.51	13.95	13.95	14.35
10-Year	13.36	13.52	14.19	14.19	14.41

Nigerian Treasury Bills

	25-Jan-23	11-Jan-23	28-Dec-23
91-Days	0.29	2	2.749
182-Days	1.8	4.33	7.15
364-Days	4.78	7.3	8.49

Open Market Operation

	06-Jan-23	13-Jan-23	20-Jan-23	27-Jan-23	31-Jan-23
14-Feb-23	3.01	3.01	3.01	3.00	1.50
21-Feb-23	3.35	3.35	3.34	3.34	1.27
07-Mar-23	4.03	4.02	2.11	2.10	2.10
02-May-23	3.03	3.03	3.03	3.02	3.02

FX Markets

Naira remained stable at the Investors and Exporters Window as it closed at NGN461.50/USD. However, the CBN Official rate depreciated by NGN11.97/USD to close at NGN461.02/USD from N449.05/USD recorded the previous month.

At the parallel market, the naira depreciated by 2.59% as it closed at NGN754/USD from NGN735/USD recorded in December.

	06-Jan-23	13-Jan-23	20-Jan-23	27-Jan-23	31-Jan-23
NAFEX I&E	461.67	461.90	461.5	461.75	461.50
CBN OFFICIAL RATE	449.55	452.09	454.56	460.78	461.02
PARALELL MARKET RATE	743	747	753	754	754

ANALYSTS

Agba Henry Ekene - hagba@fcsln.com - +234 (0) 708 487 4059

Oluwakemi Abiodun - oabiodun@fcsln.com - +234 (0) 811 276 1456

Yemisi Sunmola - ysunmola@fcsln.com - +234 (0) 809 655 9486

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