

Several highlights occurred during the month of July ranging from the June Inflation figure release by the National Bureau of Statistics (NBS), Monetary Policy Rate hike, to the state of emergency declared on food security and lastly the speech made by President Bola Ahmed Tinubu towards the current economic challenges experienced in the country.

First, President Bola Ahmed Tinubu addressed Nigerians about the policies his administration had adopted, particularly the elimination of fuel subsidies and the liberalization of the foreign exchange rate, as well as the rationale behind these policies. He acknowledged the pain this has caused Nigerians and highlighted the plans his administration will take to alleviate these burdens. They include: providing a N75 billion fund to enterprises at a 9% annual rate beginning in July 2024; a N125 billion fund to energise Medium and Small Scale Enterprises; a N100 billion fund to purchase 3,000 twenty-seater CNG-fuelled buses to provide affordable transportation across Nigeria following sharp increases in travel fares; reviewing the current minimum wage; and finally revitalizing the agriculture sector by providing 220,000 metric tonnes of fertilizers, N50 billion fund to cultivate 150,000 hectares of rice and maize; and N50 billion each to cultivate 100,000 hectares of wheat and cassava.

Second, on July 13th, the government announced a state of emergency on food insecurity through his special adviser on Special Duties, Communications, and Strategy, Dele Alake. In his speech, he stated short-, medium-, and long-term interventions and solutions, which include redirecting money saved from petroleum subsidies to agriculture, providing loans and security to farmers, exploring other modes of food transportation, increasing food exportation, reviewing storage facilities, and so on.

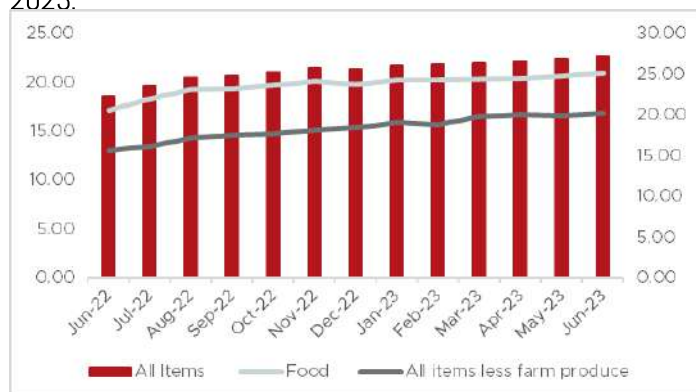
If the policies mentioned above are successfully implemented, they have the ability to slash food costs, stimulate the economy, and alleviate the hardships that Nigerians face. We have broken down other significant macroeconomic highlights below to further break down these issues:

Inflation

According to figures from the National Bureau of Statistics (NBS), Nigeria's headline inflation rate increased for the sixth consecutive month in June 2023 to 22.79% (vs 22.41% in May). However, the 0.38% increase was lower than consensus analyst estimates following inflationary pressures from the removal of the petroleum subsidy, the unification of the currency rate window, and the Eid-el-kabir (Ileya) celebrations. On a year-on-year basis, headline inflation rate was 4.19% higher than 18.60% recorded in June 2022.

Food inflation climbed by 0.43% year on year (YoY) to 25.25% in June, up from 24.82% in May, due to price increases in Oil and fat, Bread and cereals, Fish, Potatoes, Yam and other tubers, Fruits, Meat, Vegetable, Milk, Cheese, and Eggs.

"All items less farm produce" or Core inflation, which excludes volatile agricultural produce prices, climbed by 0.22% year-on-year to 20.27% (YoY) from 20.06% in May 2023.



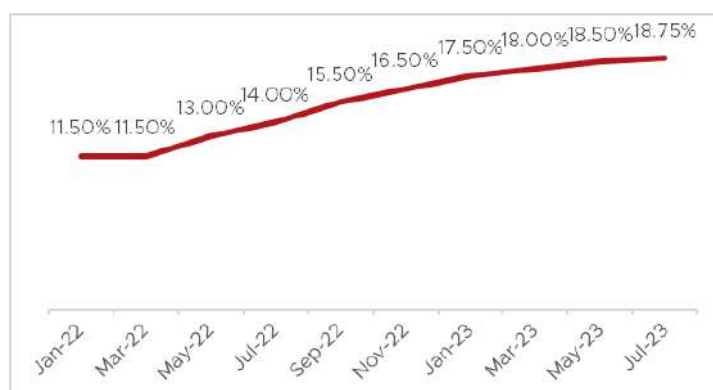
Outlook: In month of July, we expect the impact of the petroleum subsidy removal as well as other factors driving inflation such as insecurity in food producing states, foreign exchange depreciation, and rising energy cost to significantly impact the inflation rate and drive it higher.

Monetary Policy Rate (MPR)

The Central Bank of Nigeria's Monetary Policy Committee (MPC) hiked the benchmark interest rate by 25 basis points to 18.75% at its meeting held on the 24th and 25th of July, 2023. This information was provided by the Acting CBN Governor, Mr Folashodun Shonubi.

According to the acting governor, the increase was required as Nigeria's headline inflation rate rose to 22.79% in June, up from 22.41% in May 2023, as a result of increased food prices and rising transportation expenses caused by the removal of petrol subsidy. The asymmetric corridor was also reduced from +100/-700 to +100/-300, and the Cash Reserve Ratio (CRR) maintained at 32.5%.

In our view, the hike in rates is unlikely to significantly impact inflation given the fact that the inflationary pressures are not demand but cost driven, also previous rate hikes have not resulted in a material decline in inflation numbers. However, the reduction in asymmetric corridor, specifically the lower band (which is currently at -300bps from -700bps) limits banks from holding excess liquidity.



Equities Market

The stock market ended the month of July on a high note, with the benchmark index (NGX-ASI) which measures the general performance of equities listed rising by 5.53% to close at 64,337.52 points (up from 60,968.27 points the previous month). The positive performance was fueled by improved investor confidence and positioning ahead of corporate earnings releases, thus resulting in a N1.81 trillion rise in investor wealth, as the market capitalization closed at N35.01 trillion (up from N33.19 trillion last month). Consequently, the year-to-date return increased to 25.53%.

Transaction volumes climbed by 75.26% to 22.78 billion units (from 13.00 billion units the previous month), while transaction values increased by 51.92% to N309.19 billion (from N203.524 billion the previous month).

Sector performance was mostly positive as three of the five sector indices under our coverage closed in the green. Gains from MRS (+38.54%), CONOIL (+32.53%), ETERNA (+23.57%), SEPLAT (+20.99%), and TOTAL (+10.00%) propelled the Oil and Gas Index up by 20.05%, making it the month's top sector gainer, followed by the industrial Index driven by DANGCEM (+23.51%) and BUACEMENT (+7.26%) and the Banking Index led by UBA (+14.29%), FBNH (+5.57%), and GTCO (4.71%). On the other hand, losses recorded in WAPIC (-27.71%) and CORNEST (-20.00%), pushed the Insurance index down by 5.89%, while losses recorded in the likes of CADBURY (-35.34%), PZ (-25.68%), GUINNESS (-25.68%), NB (-18.89%), FLOURMILL (-16.42%), NESTLE (-6.00%), and UNILEVER (-4.91%) all contributed a 4.58% drop in the Consumer Goods Index.

Market breadth (i.e., the gainers/losers ratio), which measures market mood, was positive, closing at 1.14x as 64 stocks rose in price while 56 sank in price. On the other hand, 31 stocks finished flat.

Outlook

In the new month the market is expected to record significant sell pressure on the back of poor earnings releases caused by foreign exchange losses in most sectors of the economy and a dearth of news flow in the market. The sell pressure has also affected trading in Banking tickers which posted record gains from their net foreign currency positions. Going forward, we expect falling price to unearth attractive valuations from key affected equities as the downward trend continues in the short-term, save for awaited results in the banking space. Investor could look to reposition in selected stocks when prices bottom out and the current bearish sentiments subside.

INDICATORS	31-Jul	30-Jun	%Change
NGX ASI	64,337.52	60,968.27	5.53%
Market Cap (N'bn)	35,011.46	33,197.83	5.46%
Volume Traded (Units' m)	22,786.52	13,001.21	75.26%
Value Traded (b)	309,185.49	203,524.48	51.92%

SECTOR	31-Jul	30-Jun	% Change
NGX-BANKING INDEX	670.22	645.42	3.84%
NGX-INDUSTRIAL INDEX	2,844.36	2,491.31	14.17%
NGX-INSURANCE INDEX	260.74	277.07	(5.89%)
NGX-OIL & GAS INDEX	931.42	775.85	20.05%
NGX-CONSUMER GOODS INDEX	853.75	894.76	(4.58%)

Top Gainers

Symbol	Opening Price(N)	Closing Price(N)	% Change (+)
SKYAVN	10.15	25.60	152.22%
GOLDBREW	1.67	3.22	92.81%
JOHNHOLT	1.04	2.00	92.31%
CHELLARAM	1.33	2.33	75.19%
NASCON	18.70	32.50	73.80%
TRANSCOHOT	23.40	37.95	62.18%
DAARCOMM	0.20	0.32	60.00%
TIP	0.51	0.80	56.86%
ETRANZACT	6.45	10.00	55.04%
DEAPCAP	0.22	0.34	54.55%

Top Losers

Symbol	Opening Price(N)	Closing Price(N)	% Change (-)
CHAMPION	5.38	3.40	(36.80%)
CADBURY	17.40	11.25	(35.34%)
ABBEYBDS	1.52	1.00	(34.21%)
TRIPPLEG	3.75	2.51	(33.07%)
IKEJAHOTEL	3.99	2.68	(32.83%)
WAPIC	0.83	0.60	(27.71%)
PZ	22.00	16.35	(25.68%)
GUINNESS	80.00	59.95	(25.06%)
LASACO	2.60	2.01	(22.69%)
MULTIVERSE	3.75	2.98	(20.53%)

Fixed Income Market

Negative sentiments dominated the fixed income space in the month of July, as the inauguration of the new administration and pro-business fiscal and monetary policy stance of the Tinubu Administration which drove the positive performance in the month of June coupled with hike in monetary policy rate led to selloffs in the market.

The Debt Management Office (DMO) reopened the APR 2029, JUN 2033, JUN 2038, and JUN 2053 bond instruments with N90 billion offers each in the primary market auction. With the exception of the JUN 2033 instrument, all maturities were oversubscribed. At the end of the auction, marginal rate for each instrument stood at 12.50%, 13.60%, 14.10%, and 14.30%, compared to 13.90%, 14.70%, 15.45%, and 15.70% in the previous auction.

In the secondary market, average yields increased by 12 basis points to 13.10% (from 12.98% in June) as selloffs was dominant at the short end of the yield curve and sparingly at the long end.

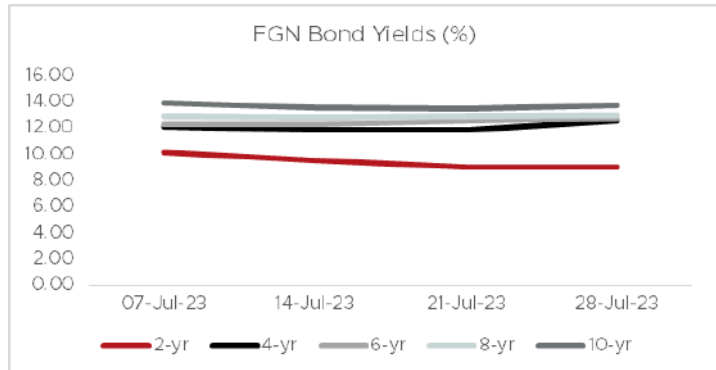
In the NT-Bills primary market, the Central Bank of Nigeria (CBN) conducted two auctions for a total offer of N406.10 billion across board. The first auction of the month took place on the 12th of July, with stop rates for the 91-day, 182-day, and 364-day bills settling at 2.86%, 3.50%, and 5.94% respectively. However, by the second auction on the 26th, rates increased to 6.00%, 8.00% and 12.15% respectively.

At the secondary market purchases were observed at the short end of the yield curve, whereas selloffs were prominent at the mid and long end of the yield curve, resulting in an increase in average yields by 78 basis points to 7.12% (from 6.35% in June).

Due to primary market auctions, system liquidity fell by 31.37% month-on-month to N788.93 billion (vs. N1.15 trillion billion the prior month). Nonetheless, Open-Buy-Back and Overnight rates fell 44 and 58 basis points, respectively, to settle at 0.92% and 1.42% (down from 11.75% and 12.25% in April).

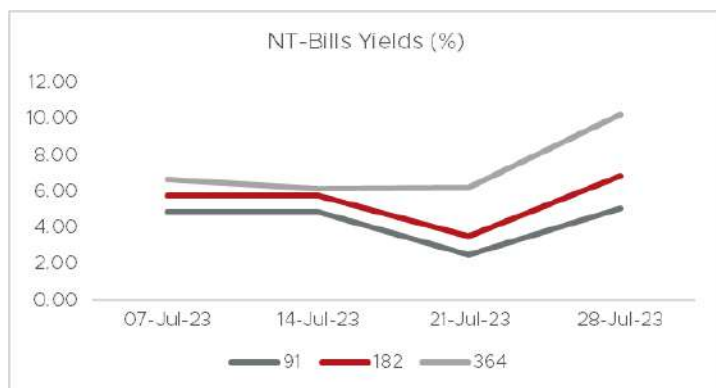
Outlook: In the month of August we expect investors to tread cautiously as they watch for positive indicators that could drive the market.

FGN BOND	31-Jul	30-Jun	%Change
2-Year	8.97	9.79	(8.38%)
4-Year	12.54	10.91	14.94%
6-Year	12.56	12.32	1.95%
8-Year	12.9	12.74	1.26%



Auction Date	Maturity Date	Tenor	Stop Rate	Offer (NGN'million)	Subscription (NGN'million)
26-Jul-23	26-Oct-23	91-Day	6.00%	1,737.75	7,846.50
26-Jul-23	25-Jan-23	182-Day	8.00%	1,263.25	6,437.75
26-Jul-23	25-Jul-24	364-Day	12.15%	261,327.29	383,884.51
12-Jul-23	12-Oct-23	91-Day	2.86%	2,777.58	5,862.38
12-Jul-23	11-Jan-23	182-Day	3.50%	1,489.31	31,377.41
12-Jul-23	11-Jul-24	364-Day	5.94%	137,504.25	654,621.81

NT-BILLS	31-Jul	30-Jun	%Change
91-Days	5.06	4.92	2.85%
182-Days	6.85	5.78	18.51%
364-Days	10.25	7.70	33.12%



FOREIGN EXCHANGE	31-Jul	30-Jun	%Change
I & E Window	758.022	769.25	(1.46%)
Parallel	870	775	12.26%

Notable Macroeconomic Release Data Calendar for August 2023

Release Dates	Indicators
August 15th	CPI and Inflation Report
August 19th	Premium motor spirit (PETROL) Price watch June 2023
August 23rd	Nigerian Capital Importation (Q2 2023)
August 25th	Nigerian Gross Domestic Product by Output Report (Q2 2023)
August 27th	Federation Account Allocation Committee (FAAC) July 2023 Disbursement