

Monthly Market Report

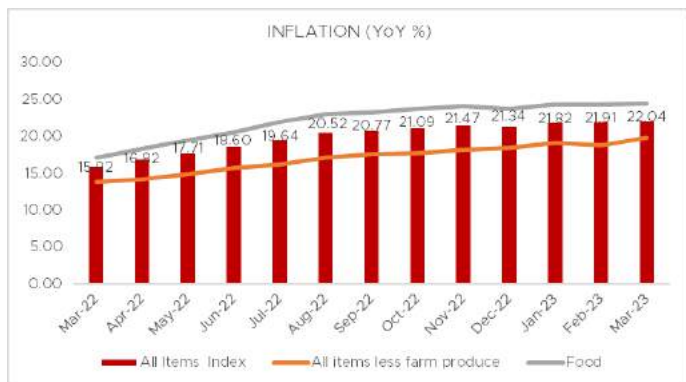
April 2023

Inflation

Nigeria's headline inflation rate grew for the third consecutive month in March 2023, rising by 0.13% to 22.04% year-on-year (vs 21.91% year-on-year in February 2023). According to the NBS, the increase in food and non-alcoholic beverages (11.42%), housing, water, electricity, gas & other fuel (3.69%), clothing & footwear (1.69%), transport (1.43%), furnishings, household equipment & maintenance (1.11%), education (0.87%), health (0.66%), miscellaneous goods & services (0.37%), restaurant & hotels (0.27%), alcoholic beverage, tobacco & kola (0.24%), recreation & culture (0.15%) all attributed to the increase in inflation. In the same vein, month-on-month headline inflation increased by 0.15% to 1.86% (vs 1.71% in February).

Food inflation climbed by 0.10% to 24.45% (YoY) from 24.35% the previous month, following the same trend as headline inflation. The rise in food inflation was caused by increases in prices of Oil and Fat, Bread and Cereals, Potatoes, Yam and Other Tubers, Fish, Fruits, Meat, Vegetables, and Spirits.

Similarly, "All items less farm produce" or Core inflation, which excludes the price of volatile agricultural produce resumed its upward trend as it increased significantly by 1.02% to 19.86% (YoY) from 18.84% recorded in February 2023.



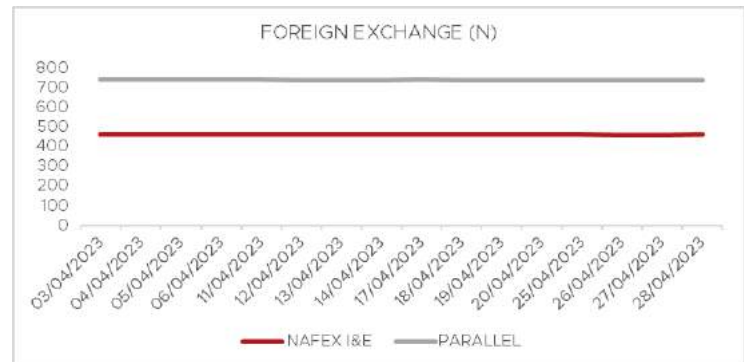
Outlook: We do not expect a significant increase in inflation figures in the month of April as the Naira scarcity issues which drove the previous inflation figure has been resolved. However, with the country's lingering foreign exchange depreciation, insecurity in food producing states and increased cost of transportation, we expect food inflation to rise in the coming month hence fuelling headline inflation.

Foreign Exchange

According to a Bloomberg survey, Nigeria's crude oil production declined for the second time this year, falling down 120,000 barrels per day to 1.32 million barrels per day. Its recent decrease was partly linked to strike action by Exxon Mobil workers in the country, which caused the American company to declare force majeure on its Nigerian oil liftings. Hence, the country's foreign reserves dropped by 0.86% to close at \$35.26billion (vs \$35.57billion the previous month).

Additionally, Brent crude oil prices increased by 0.92% to \$79.92 (vs \$79.19 in March) as investors positive sentiment resurfaced during the month.

At the Importers and Exporters Window, the Naira appreciated by 0.35% to close at N463/USD (vs N461.38 in March). However, the reversal was seen at the parallel market as it appreciated by 1.33% to settle at N745 (vs N750 in March).

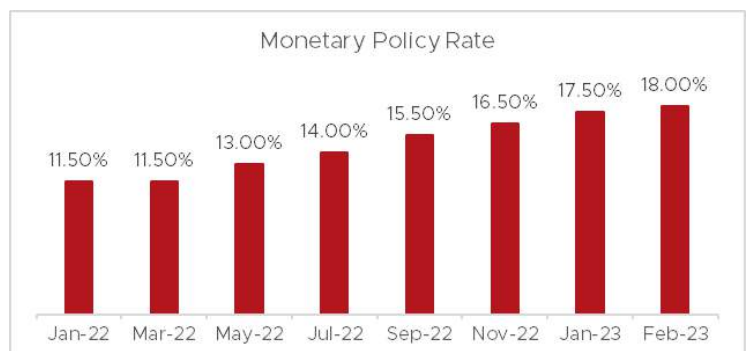


Outlook: In the month of May, we expect rates across the different FX segments to remain relatively stable.

Monetary Policy Rate (MPR)

At the last Monetary Policy Committee meeting held in March, the Committee voted to raise key rate by 50 basis points (bps) to 18.00% from 17.50%, as they believed that raising rates had a beneficial effect on inflation, especially considering that Nigeria's inflation rate has begun to slow month-on-month (MoM). However, with the increase in month-on-month (MoM) and year-on-year (YoY) inflation figures in March, this stance was altered.

We anticipate that the March and April inflation figures, as well as the potential halt in global interest rate hikes and the inauguration of the incoming administration, will be key determinants of the MPR direction at the next Monetary Policy Committee meeting on the 22nd and 23rd of May 2023.



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Equities

The Nigerian equities market was largely bearish in the month of April as NGX-ASI index fell by 3.37% to 52,403.51 points (from 54,232.34 points in March) while market capitalization fell by N1.01 trillion to settle at N28.53 trillion. The monthly decline was driven by losses recorded in highly capitalized stocks like AIRTELAFRI (-15.48%), NB (-13.51%), ZENITHBANK (-11.80%), WAPCO (-7.31%), UBA (-7.19%) OKOMUOIL (-6.54%), MTNN (-4.71%), NESTLE (-3.38%), SEPLAT (-3.02%), GTCO (-2.55%), FBNH (-2.25%), ETI (-1.33%) and TOTAL (-0.59%). Consequently, Year to Date ASI return closed the month at 2.25%.

Transaction levels rose as total volume and value of transaction increased by 204.86% and 40.66% to settle at 21.827 billion units and ₦ 81.64 billion respectively.

Sectoral performance was also bearish as three of the five major sectors recorded declines. The Consumer Goods sector was the top gainer as it rose by 4.75%. The Insurance sector (+0.04%) also marginally gained. On the other hand, the Banking sector was the had the worst performance as it fell by 3.29%. The Oil and Gas (+1.68%) and industrial (+0.38%) also recorded positive performances. Market breadth (gainers/losers' ratio), which measures investors sentiments was positive as 43 stocks appreciated while 40 depreciated in price respectively.

Outlook

In line with our house-view the market has witnessed increased positioning in key equities and sectors, and this has helped to lift the general performance to green territory. Barring any sudden drop in highly capitalized equities, we expect the market to continue its upward trend as key equities recover from low levels occasioned by dividend adjustments. Also supporting this position are the largely positive Q1'2023 numbers across the sectors which have served to paint a positive outlook for the market in the medium term. With just 3-weeks away from the inauguration of the new administration, which is believed to be "pro-market", we see these factors pulling the benchmark index North in the short-medium term on the back of improved confidence from market players.

We therefore expect positive sentiments in the equities market to extend further into the Month of May. Investors should therefore focus on stocks with sound fundamentals, currently trading at low entry levels.

Market Summary

	28-Apr	31-Mar	% Change
NGX-ASI	52,403.51	54,232.34	3.37%
MKT CAP (N'BN)	28,533.90	29,543.68	3.42%
VOLUME (mn)	21,827.00	7,159.75	204.86%
Value (N'bn)	81,641.00	58,041.60	40.66%

Sector Index Performance

	28-Apr	31-Mar	% Change
NGX-BANKING INDEX	438.07	452.97	3.29%
NGX-INDUSTRIAL INDEX	2,447.13	2456.45	0.38%
NGX-INSURANCE INDEX	184.38	177.51	0.04
NGX-OIL & GAS INDEX	502.24	510.83	1.68%
NGX-CONSUMER GOODS	736.14	702.74	4.75%

Gainers

S/N	COMPANY	CLOSE	OPEN	GAINS	%CHANGE
1	TRANSCORP	2.81	1.39	1.42	102.16%
2	NAHCO	11.95	8.10	3.85	47.53%
3	HONYFLOUR	3.13	2.2	0.93	42.27%
4	MANSARD	2.37	1.90	0.47	24.74%
5	CWG	1.05	0.87	0.18	20.69%
6	IKEJAHOTEL	1.46	1.22	0.24	19.67%
7	CADBURY	13.5	11.3	2.20	19.47%
8	JAPAU LGOLD	0.33	0.28	0.05	17.86%
9	SOVRENINS	0.33	0.28	0.05	17.86%
10	CHAMS	0.28	0.24	0.04	16.67%

Losers

S/N	COMPANY	CLOSE	OPEN	LOSS	%CHANGE
1	ROYALEX	0.56	0.78	-0.22	-28.21%
2	CHAMPION	4.37	5.55	-1.18	-21.26%
3	UACN	8	9.55	-1.55	-16.23%
4	AIRTELAFRI	1,250.00	1,479.00	-229.00	-15.48%
5	MULTIVERSE	2.78	3.24	-0.46	-14.20%
6	ETERNA	5.85	6.8	-0.95	-13.97%
7	NB	32	37	-5.00	-13.51%
8	COURTVILLE	0.42	0.48	-0.06	-12.50%
9	ZENITHBANK	22.8	25.85	-3.05	-11.80%
10	MAYBAKER	4.05	4.50	-0.45	-10.00%

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Fixed Income

Participation in the fixed income market varied, with selloffs in the FGN Bond market and bullish sentiment in the NT-Bills and OMO markets.

In the month of April, the Debt Management Office (DMO) issued a total FGN bond offer of N360 billion as it reopened the 13.98% FEB 2028 and 12.50% APR 2032 instrument while it newly opened the 13.00% FGN JAN 2042 and 12.98% FGN MAR 2050 instruments. At the conclusion of the auction, a total subscription of 444.03 billion was realized, with investors primarily purchasing the newly auctioned maturities (JAN 2042 and MAR 2050 instrument). At the end of the auction, the marginal rate for each instrument stood at 14.0%, 14.80%, 15.40% and 15.80% (Vs 14.0%, 14.75%, 15.20% and 15.75% at the previous auction) respectively.

Bears dominated the FGN Bond secondary market as investors majorly sold off bonds listed at the short and mid end of the yield curve. As a result, average yields increased by 57bps to 14.13% (vs 13.56% in March). Additionally, during the month the secondary market witnessed the maturing of the 27-Apr-23 bond.

The CBN held two NT-Bills primary market auctions in April, with stop rates for each maturity varying at each auction.

The first auction of the month took place on the 12th of April, with stop rates for the 91-day, 182-day, and 364-day instruments settling at 6.00%, 8.00%, and 14.70%, respectively. However, by the second auction on the 26th of April, rates for the 91-day, 182-day and 364-day declined to 5.3%, 8% and 10.17% respectively.

The NT-Bills secondary market closed bullish with investors buying into securities listed at all ends of the yield curve. Therefore, average yields closed the month at 7.30% (vs 7.73% in March). In addition, during the month the market witnessed the maturity of two new instruments (13-Apr-23 and 27-Apr-23) as well as the listing of two others (14-Mar-24 and 28-Mar-24).

The OMO market was quiet for the majority of the month, with no trades recorded against the lone listed instrument (2-May-23), however, towards the end of the month a marginal purchase was recorded. Subsequently, the instrument was delisted as it approached maturity.

System liquidity increased by 36.3% to settle at N1.3 trillion (vs. N953.9 billion the previous month) as a result of an increase in primary market repayment. Consequently, the Overnight and Open-Buy-Back rates decreased by 5.87% and 5.75%, respectively, to close at 11.00% and 11.38% (as opposed to 18.50% and 18.88% in March).

The Naira depreciated against the US dollar at the Investors and Exporters Window as it fell by 35bps to close at N463 (vs N461.38 in March), however at the parallel market it appreciated by 133bps to settle at N740 (vs 750 in March).

OUTLOOK: We do not expect the bond and NT-Bill markets to significantly improve in May as investors' aversion to listed instruments is expected to prevail as they look for higher rates to edge against inflation.

Federal Government Bond

	28-Apr-23	31-Mar-23	%change
2-Year	11.17	11.01	1.45%
4-Year	13.01	12.73	2.20%
6-Year	14.17	14.00	1.21%
8-Year	14.47	14.31	1.12%
10-Year	14.75	14.75	0.00%

Nigerian Treasury Bills Auction

Auction Date	Maturity Date	Tenor	Stop Rate	Offer (NGN'million)	Subscription (NGN'million)
12-Apr-23	13-Jul-23	91-Day	6.00	3154.326	3777.581
12-Apr-23	12-Oct-23	182-Day	8.00	2515.4	3123.35
12-Apr-23	04-Nov-24	364-Day	14.70	143969.472	273452.887
26-Apr-23	27-Jul-23	91-Day	5.30	1737.75	3217.963
26-Apr-23	26-Oct-23	182-Day	8.00	10116.4	7954.579
26-Apr-23	25-Apr-24	364-Day	10.17	119606.141	807928.781

Nigerian Treasury Bills Secondary Market

	28-Apr-23	31-Mar-23	%change
91-Days	5.53	4.61	20.0%
182-Days	6.34	7.14	-11.2%
364-Days	13.04	12.39	5.2%

Open Market Operation

	28-Apr-23	31-Mar-23	%change
O2-May-23	-	4.01	NA

Foreign Exchange

	28-Apr-23	31-Mar-23	%change
NAFEX I&E	463.00	461.38	0.35%
CBN OFFICIAL RATE	460.87	460.85	0.00%
PARALELL MARKET RATE	740	750	-1.33%

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Notable Macroeconomic Release Data Calendar for May 2023

Release Dates	Reports
May 15th	CPI and Inflation Report April 2023
May 22nd	Federation Account Allocation Committee (FAAC) April 2023 Disbursement
May 24th	Nigerian Gross Domestic Product by Output Report (Q1 2023)