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WEEKLY NEWSLETTER Economic and Financial Market Analysis

Inflation Bites Harder…

Domestic Business Environment

The domestic business week opened with the release of the nation's headline inflation for the month of September 2023. This index is measured by the Consumer Price Index (CPI). The index ticked upward to print at 26.72 percent. This is a 0.92 percent increase from 25.80 percent recorded in the month of August 2023. The major driver of this index is the food inflation which also surged to 30.64 percent. Identified factors responsible for this rise are the aftermath effect of subsidy removal leading to increase in energy price, naira devaluation. The Central Bank of Nigeria (CBN) made a move to relief the pangs of inflation on the economy by ending the restriction on rice, poultry, cement and 40 other items. The lift on the ban is expected to increase competition between imported items and locally produced items thereby stabilizing prices. We expect this development to be impactful in the near term. Amid this development, the federal government officially approved the sum of35,000 minimum wage for all federal civil servants. We expect this to affect minimum wage rate across board in the near term term.

In a bid to improve the service delivery of financial institutions and also the ease of bank users, the Central Bank of Nigeria (CBN) is set to penalize Deposit Money Banks (DMBs) whose equipment distort images and data that are transmitted during cheque truncation process from 1st November 2023. The increase in the Magnetic Ink Character Recognition (MICR) rejection on cheque has led to this development. To keep this in check, the apex bank directed both the presenting and receiving banks to thoroughly examine their in-house cheque processing equipment to ensure proper image and data transmission. Failure to comply to this directive will lead to sanctions.

Energy Sector this Week

The Federal Government through the office of the Minister of State for petroleum announced its intention to increase oil production. The country intends to meet oil production target of 2 million barrels per day (bdp) by the end of December 2023. The increase in production quota is expected to translate into more revenue for the country. Nigeria is still more dependent on oil especially for foreign exchange earnings. There has been significant increase in production recorded in past months. In September, 1.1 million barrels was produced and so far in October, 1.4 million barrels has been recorded. The ability to sustain this growth momentum is an indication that the target can be meet in near term. Plans are also underway to address infrastructure challenges in the sector, particularly pipeline infrastructure. The challenges around regulations, technology and security of asset (specifically development and protection of pipeline infrastructures, vandalism, oil theft, asset integrity and final relations) will be discussed in the coming week.

HIGHLIGHTS

1. Domestic Business Environment
2. Energy Sector
3. Foreign News
4. Stock Market Review
5. Stock Recommendation

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Foreign News

Asia: Asian stocks tumbled on Friday as escalating Middle East tensions and a continued surge in oil prices clouded the outlook for global economic growth. Gold scaled a three-month peak on safe-haven bids amid fears the Israel-Hama war may escalate into something of a broader regional crisis. Israeli Defense Minister Yoav Gallant told troops gathered at the Gaza border on Thursday that they would soon see the Palestinian enclave "from inside." The bond market selloff pushed the benchmark U.S. Treasury yield to 5 percent after Federal Reserve Chairman Jerome Powell reiterated his commitment to getting inflation down to the central bank's 2 percent target, giving little clarity on how long investors have to wait for rate cuts. Oil prices were on track for a second straight weekly gain after the U.S. Department of Energy indicated that it would buy 6 million barrels of crude oil. Chinese shares ended lower after the People's Bank of China kept its benchmark lending rates unchanged at the monthly fixing, as widely expected. China's Shanghai Composite index fell 0.74 percent to 2,983.06 while Hong Kong's Hang Seng index settled 0.72 percent lower at 17,172.13. Japanese shares fell on risk aversion after reports emerged that U.S. troops are being targeted at several military bases across Iraq and Syria and a U.S. Navy warship destroyed cruise missiles and drones fired toward Israel by Houthi rebels in Yemen. Traders largely shrugged off data showing that Japan's core inflation slid below 3 percent for the first time in more than a year. The Nikkei average dropped 0.54 percent to 31,259.36 while the broader Topix index closed down 0.38 percent at 2,255.65.

Europe: European stocks traded lower on Friday to extend recent losses as expectations of higher-for-longer interest rates and an escalating Middle East conflict dented investors' appetite for risk. The United States said it is seeing an uptick in attacks on its military bases in Iraq and Syria. European Commission president Ursula von der Leyen said the risk of regional spill over from the Israel-Hamas war is "real." Israeli defense minister has ordered ground troops to prepare to see Gaza "from the inside", though he didn't indicate when the ground assault would begin. The U.S. 10-year Treasury yield briefly reached 5 percent for the first time since 2007 in the wake of Fed Chair Jerome Powell's cautious comments on interest rates and President Joe Biden announcement that he would ask Congress for funding to aid Israel. In economic releases, Germany's producer prices declined at a record pace for the second straight month in September, mainly due to the base effect caused by the very high price level of the previous year, preliminary data from Destatis showed. The producer price index fell 14.7 percent year-over-year in September, faster than the 12.6 percent decline in the prior month. Further, the latest rate of fall was the biggest since data collection began in 1949. Elsewhere, official data showed U.K. retail sales logged a bigger-than-expected decline in September. Retail sales dropped 0.9 percent on a monthly basis, in contrast to the 0.4 percent increase in August as the cost-of-living pressures damped spending and consumer sentiment. Separately, survey results from GfK showed that rising energy costs, high mortgage and rental rates, and geopolitical risks had dampened consumer sentiment in October.

US: Stocks may see initial weakness on Friday, extending the downward move seen over the two previous sessions. The major index futures are currently pointing to a lower open for the markets, with the S&P 500 futures down by 0.4 percent. Concerns about higher treasury yields may continue to weigh on Wall Street after the yield on the benchmark ten-year note climbed above 5 percent for the first time since July 2007. The ten-year yield has given back ground in early trading but remains elevated at 4.98 percent amid ongoing concerns about the outlook for interest rates. Overall trading activity may be somewhat subdued, however, with a lack of major U.S. economic data likely to keep some traders on the sidelines. A report on personal income and spending in the month of September is likely to be in focus next week, as it includes readings on inflation said to be preferred by the Federal Reserve. With Fed Chair Jerome Powell saying inflation is "still too high" during remarks on Thursday, traders will be looking for a slowdown in the pace of price growth. The earnings season also continues to pick up steam next week, with a slew of big-name companies due to report their quarterly results. After ending Wednesday's session sharply lower, stocks saw significant volatility over the course of the trading day on Thursday. The major averages swung back and forth across the unchanged line before ending the day firmly in the red. The major averages fell to new lows going into the close of trading. The Dow fell 250.91 points or 0.8 percent to 33,414.17, the Nasdaq slumped 128.13 points or 1.0 percent to 13,186.18 and the S&P 500 slid 36.60 points or 0.9 percent to 4,278.00.

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Stock Market Review

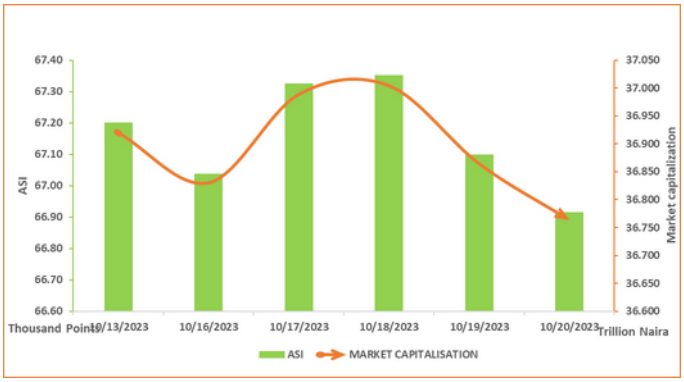
The Nigerian stock market performance ended bearish. The main index measuring market performance (ASI), All-Share-Index depreciated by 0.42 percent to close the week at 66,915.41 points. This was lower than the previous week's close of 67,200.69 points. This performance was the aftermath of profit taking activities by investors. Similarly, market capitalization depreciated by 0.42 percent to settle at N 36.764 trillion. A total volume of 1.496 billion shares worth N24.283 billion in 29,298 deals was traded this week on the floor of the Exchange. This was in contrast to the 1.470 billion shares worth N 24.431 billion in 29,683 deals that was traded the previous week. We anticipate a mixed performance in the market in the coming week.

Investors' sentiment as measured by market breadth in the week's session was negative with the advancement of 28 stocks, decline of 46 stocks, while 83 equities remained unchanged.

Similarly, all other indices finished lower with the exception of NGX CG, NGX Premium, NGX Banking, NGX AFR Bank Value, NGX AFR Div. Yield, NGX MERI Value and NGX Sovereign Bond which appreciated by 0.47 percent, 0.54 percent, 3.52 percent, 1.82 percent, 3.24 percent, 2.99 percent and 3.08 percent, respectively while the NGX ASeM index closed flat.

The financial services led the activity chart(measured by volume) with 1.047 billion shares valued at N 12.709 billion in 13,667 deals, followed by ICT with 94.997 million shares valued at N 1.445 billion in 1,982 deals and Conglomerates with 80.655 million shares valued at N 526.409 million in 1459 deals.

Chart 1 : NGX:ASI-Market Capitalization 13 October,- 20 October, 2023



Source: NGX Group, WCL Research

Table 1: Top Price Gainers

Stock Symbol	Week Open (N) 16/10/23	Week Close (N) 20/10/23	Change in Price (N)	Change in Price (%)
THOMASWY	2.80	3.63	0.83	29.64
DAARCOMM	0.21	0.23	0.02	9.52
JBERGER	33.00	36.0	3.00	9.09
UBA	17.55	19.00	1.45	8.26
LEARNAFRCA	3.10	3.30	0.20	6.45

Source: NGX Group, WCL Research

Table 2: Top Price Losers

Stock Symbol	Week Open (N) 13/10/23	Week Close (N) 20/10/23	Change in Price (N)	Change in Price (%)
SOVREINS	0.40	0.33	0.07	17.50
CADBURY	15.00	12.6	2.40	16.00
STANBIC	80.00	69.6	10.45	13.06
FLOURMILL	32.00	28.20	3.80	11.88
OKOMUOIL	263.00	236.80	26.20	9.96

Source: NGX Group, WCL Research

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Underlying Assets

- Government Bonds
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- Treasury Bills
- Bankers' Acceptance amongst others.

Product Objectives

- Fixed and stable income
- Realistic cash-flow projection
- Stress-free investment

Product Features

- Competitive rate of return
- Minimum tenor of 91 days
- Regular top up available
- Available to all categories of investors

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2. Fixed and predictable return on investment
3. Easy Entry and Exit
4. Zero Penalty on 72hrs early liquidation notice
5. Investment Safety

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