

# Weekly Market Summary



October 2, 2020

## Highlights

- Fitch upgrades Nigeria's credit rating outlook to Stable
- Nigerian equities gain 2.53% w-o-w
- Naira strengthens marginally at parallel market
- US President Trump tests positive for Coronavirus

Economic Data	02-10-20	25-09-20	Change	YTD
NSEASI	26,985.77	26,319.34	2.53%	0.54%
NSELII	1,944.34	1,888.10	2.98%	5.97%
Market Cap (₦'bn)	14,105.03	13,754.88	2.55%	8.85%
Official Exchange Rate (₦/\$)	381.00	381.00	0.00%	24.10%
Oil Prices (\$'pb)	39.27	41.92	-6.32%	-40.50%
External Reserves (\$'bn)	35.72	35.77	-0.14%	-7.44%
LC Managed Funds				
Halal Investment Fund (₦)	1.23	1.24	-0.81%	8.78%
Halal Fixed Income Fund (₦)	1143.98	1,141.63	0.21%	7.99%
Lotus Halal Equity ETF (₦)	9.23	8.98	2.75%	9.97%

## NIGERIAN MARKET UPDATE

### *Fitch upgrades Nigeria's credit rating outlook to Stable*

This week, Fitch affirmed Nigeria's credit rating at 'B' and upgraded the outlook to "Stable" from "Negative". The rating agency attributed the revision to a decline in the level of uncertainty surrounding the impact of COVID-19 on the Nigerian economy.

Notably, Fitch highlighted the stability in oil prices, the level of foreign reserves as well as the recent adjustment in the exchange rate which combined have reduced dollar liquidity pressure in the economy. However, Fitch believes the naira remains over-valued and expects that the foreign reserves would reduce if the CBN chooses to fulfil the backlog of FX demand at the I & E window.

We are in broad agreement with Fitch, noting that a recovery in oil prices has strengthened Nigeria's fiscal position, for the time being. However, foreign currency demand still outweighs supply due to lingering import dependence. While we recognize the government's efforts at import substitution through foreign currency restrictions and import bans, we believe that complementary investments in infrastructure are required to achieve a sustainable structural shift.

### *Equities gain 2.53% in the week*

In the week under review, portfolio rebalancing by fund managers and a further dip in fixed income yields drove the NSE All-Share Index up by 2.53% with year to date performance turning positive at 0.54%.

Performance across various sectors was largely positive as the NSE Banking Index led the gainers with 4.24%. It was trailed by the NSE Industrial Goods index (3.25%), NSE Oil and Gas index (1.79%) and NSE Insurance index (0.64%). On the flipside was the NSE Consumer Goods index which closed the week lower by -0.75%.

The NSE Lotus Islamic Index outperformed the broad market index this week and gained 2.98%, with its year to date return rising to 5.97%.

### *Naira strengthens marginally at parallel market*

At the currency market, the CBN's official exchange and the I&E window rates of N381/\$ and N386/\$ respectively were unchanged. On the other hand, the naira strengthened at the parallel market to settle at N465/\$ (last week: N467/\$).

At the money market this week, the overnight rate plunged to 1.6% (vs 11.5% last week) as inflows from FGN bond coupon payments and OMO maturities supported system liquidity.

## **GLOBAL MARKETS**

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### ***US president Trump tests positive for Coronavirus***

The Coronavirus re-established its notoriety this week following an announcement that the US president and First Lady have tested positive for the virus. The US president is currently receiving treatment and is faring well, according to official reports.

Investors were immediately concerned by the news and Brent crude declined to \$39.27 per barrel - its lowest in almost four months. US equity indices were also notably lower on Friday following the announcement as investors weighed the potential impact on the outcome of the coming US presidential elections. Investors promptly moved into safe haven assets and gold posted its best weekly gain in eight weeks while the Swiss franc and Japanese yen rose.

We expect continued volatility in the markets until the doctors give the US president an all-clear.

## **OUTLOOK**

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In the coming week, we expect pockets of profit taking at the equities market following consecutive weeks of gains. We also anticipate that further inflows from OMO maturities will keep the overnight rate in single digits, barring CRR debits by the CBN.

# ***Lotus Capital, Creating Wealth the Halal Way***

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## Definitions:

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Bpd:	Barrels per day
Bps:	Basis points
CPI:	Consumer Price Index
CBN:	Central Bank of Nigeria
CAPEX:	Capital Expenditure
DMO	Debt Management Office
DJIA	Dow Jones Industrial Average (US Equity Market)
FAAC:	Federation Account Allocation Committee
FGN:	Federal Government of Nigeria
FMDQ	Financial Markets Derivatives Quotation
I&E:	Investors & Exporters Window
MoM:	Month on Month
MPC	Monetary Policy Committee
MPR:	Monetary Policy Rate
NSEASI:	Nigerian Stock Exchange All-Share Index
NSEBNK	Nigerian Stock Exchange Banking Index
NSECNSMRGDS:	Nigerian Stock Exchange Consumer Goods Index
NSELII:	Nigeria Stock Exchange Lotus Islamic Index
NSEIND:	Nigerian Stock Exchange Industrial Goods Index
NSEINS:	Nigerian Stock Exchange Insurance Index`
NSEOILGAS:	Nigerian Stock Exchange Oil and Gas Index
OMO:	Open Market Operations
OPEC:	Organization of Petroleum Exporting Countries
PMI:	Purchasing Managers Index
QoQ:	Quarter on Quarter
Sukuk:	Non-interest Bonds
WoW:	Week on Week
YoY:	Year on Year