

Weekly Market Summary



Highlights

- Nigeria: Total foreign trade plunges by 27.46% in Q2'2020
- Nigerian equities edges higher by 1.17%
- Post Lockdown – Signs of recovery in key economies

Economic Data	04-09-20	28-08-20	Change	YTD
NSEASI	25,605.64	25,309.37	1.17%	-4.61%
NSELII	1,846.38	1,839.54	0.37%	0.63%
Market Cap (₦'bn)	13,358.09	13,203.66	1.17%	3.08%
Official Exchange Rate (₦/\$)	381.00	381.00	0.00%	24.10%
Oil Prices (\$'pb)	42.66	45.81	-6.88%	-35.36%
External Reserves (\$'bn)	35.67	35.66	0.03%	-7.57%
LC Managed Funds				
Halal Investment Fund (₦)	1.26	1.26	0.00%	7.08%
Halal Fixed Income Fund (₦)	1,133.66	1,131.77	0.17%	7.07%
Lotus Halal Equity ETF (₦)	9.20	9.11	0.56%	5.09%

NIGERIAN MARKET UPDATE

Foreign trade plunges by -27.46% in Q2'2020

According to the Nigerian Bureau of Statistics (NBS), Nigeria's foreign trade in goods dropped by -27.46% to N6.24tn in Q2'2020 compared to the same period last year. Imports accounted for the larger share of total foreign trade at N4 trillion, which was almost twice the amount of exports as N2.2 trillion. The resulting trade deficit of -N1.8tn is the largest over the last four quarters.

The NBS data shows that Nigeria's exports dropped by half in Q2'2020 on the back of weaker oil (-60.5%) and non-oil (-28%) exports. This is attributable to lower demand from the country's key export partners due to the coronavirus pandemic and the associated lockdown of key cities. On the other hand, Nigeria's imports in the period increased by 0.39% y-o-y in Q2'2020 as energy related imports grew by 129.78%; while increases were also recorded in imported agricultural goods (66.28%) and raw materials (64.28%).

Over the rest of the year, we expect the trade deficit to narrow as major world cities reopen and increase their demand for crude oil. Nevertheless, we believe that Nigeria's import dependence and lack of export diversity will continue to leave it vulnerable to external shocks in the absence of meaningful reforms. The pandemic has exposed lingering fiscal weaknesses and culminated in foreign currency shortages, rising unemployment, and the withdrawal of government subsidies amidst a steep economic contraction. This implies that the economic recovery may be protracted and fragile.

Equities market edges higher by 1.17%

The local bourse continued its gaining streak and the NSEASI was up by 1.17% this week, moderating its year-to-date loss to -4.61%.

Performance was largely positive across sectors as the NSE's Oil & Gas index led the gainers and climbed 3.65%. Positive earnings releases by Tier 1 banks also drove the Banking index up by 2.76%, while the Insurance index gained by 1.96%.

The NSE Lotus Islamic Index was upheld by the positive performance of industrial and consumer goods stocks and gained 0.37% this week to take its year to date return to 0.63%.

Naira slides at the parallel market

At the currency market, the CBN's official exchange rate was unchanged at N381/\$ while at the I&E window, the naira weakened marginally to N386.13/\$ (last week: N385.67/\$). The naira however strengthened at the parallel market to N440/\$ (last week: N477/\$) following the resumption of FX sales to the retail segment through Bureau De Change operators.

At the money market this week, the overnight rate fell to 2.3% (vs 14.9% last week) as OMO maturities outweighed outflows from OMO and FX auctions.

GLOBAL MARKETS

Post Lockdown – Signs of recovery in key economies

As global pharmaceutical companies appear to be getting closer to announcing a vaccine for COVID-19, optimism is fast returning to the business environment and quickening the economic recovery.

This week, data from IHS Markit showed that activities in the Eurozone's manufacturing sector increased for a successive month since the outbreak of COVID-19. The Eurozone Purchasing Managers' Index (PMI) printed at 51.7pts in August driven by the growth of new businesses, increased employment and lower output costs.

In other parts of Europe, the UK service sector reportedly grew at its fastest pace in over five years according to data from IHS Markit which showed the Purchasing Managers' Index at 58.8pts in August. The performance was supported by various government initiatives to stimulate the services sector as it recovers from the pandemic.

Further across the globe, the US Labor Department reported that over 1.3 million jobs were created in the month of August alone and the level of unemployment fell to 8.4% from 10.2% in July.

In China, manufacturing output was up for the fourth consecutive month (August PMI: 54pts) on the back of strong domestic demand and higher employment.

Although the level of economic output is still below pre-COVID levels for many countries, the resurgence of business activities is encouraging.

OUTLOOK

This week, we expect trading at the Nigerian equities market to be largely driven by investors' reaction to the Q2' 2020 earnings of Tier 1 banks, as well as reactions to the recent changes in the electricity tariff and petrol prices. In the currency space, the CBN's recent stance to clamp down on FX speculators and increase liquidity at the retail segment should provide some support to the value of the naira.

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Definitions:

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