

# Weekly Market Summary



October 9, 2020

## Highlights

- President Buhari presents 2021 Budget to the National Assembly
- Nigerian equities gain 5.30% w-o-w
- Naira strengthens further at the parallel market
- Norway's withdrawals from its wealth fund touches record high

Economic Data	09-10-20	02-10-20	Change	YTD
NSEASI	28,415.31	26,985.77	5.30%	5.86%
NSELII	2,018.15	1,944.34	3.80%	10.00%
Market Cap (₦'bn)	14,852.22	14,105.03	5.30%	14.61%
Official Exchange Rate (₦/\$)	381.00	381.00	0.00%	24.10%
Oil Prices (\$'pb)	42.85	39.27	9.12%	-35.08%
External Reserves (\$'bn)	35.71	35.72	-0.03%	-7.46%
LC Managed Funds				
Halal Investment Fund (₦)	1.26	1.24	1.61%	11.33%
Halal Fixed Income Fund (₦)	1,146.70	1143.98	0.24%	8.23%
Lotus Halal Equity ETF (₦)	9.57	9.23	3.74%	13.92%

## NIGERIAN MARKET UPDATE

### *President Buhari presents 2021 Budget to the National Assembly*

This week, President Buhari presented the 2021 Budget to the National Assembly for consideration. In the budget, tagged the "Budget of Economic Recovery and Resilience", the Federal Government (FG) plans to spend N13.08trn, 21% more than its expenditure plan for 2020. The increase is across all budgetary segments notably capital expenditure and debt service. Consequently, capex accounts for 29% of the budget and debt service represents 24%. The largest component of the budget is still recurrent expenditure which accounts for 47%.

On the revenue side, the FG expects total receipts of N7.88trn in 2021 - a 35% jump from N5.84trn in 2020. The is premised on a higher benchmark oil price of \$40pb (2020: \$28pb), higher oil production of 1.86mbpd (2020: 1.8mbpd) and exchange rates at N379/\$ (20: N360/\$).

However, projected revenue is not sufficient to offset the hike in planned expenditure, leaving a deficit of N5.20trn (2020: N4.97trn) or 3.6% of GDP, which is higher than the provisions of the Fiscal Responsibility Act. The FG plans to finance the deficit majorly through commercial borrowing of N4.28trn with the balance coming from multilateral loans and sale of government assets.

We welcome the increase in capex which we note may aid the process of economic recovery. While we are concerned about the size of the deficit, we believe that it will be manageable if the country achieves the desired level of economic expansion through the efficient use of its borrowings. However, we note a shortfall in revenue expectations remains a downside risk.

### *Equities gain by 5.30%*

Sustained bullish momentum at the equities market this week drove the NSE All-Share index to a nine-month high as it gained by 5.30% to take its year to date performance to 5.86%.

Sector indices also performed well and the NSE Banking Index led the gainers, rising by 7.83%. All the other indices closed positive including the NSE Industrial Goods index (2.72%), NSE Consumer Goods index (2.02%), NSE Oil and Gas index (2.01%) and NSE Insurance index (1.96%).

The NSE Lotus Islamic Index had another positive outing as it gained 3.80%, with its year to date return climbing to 10.00%.

### ***Naira strengthens further at the parallel market***

At the currency market, the CBN's official exchange remained at N381/\$. On the other hand, the naira strengthened at the I&E window to settle at N385.83/\$ (N386/\$) and closed at the parallel market at N457/\$ (last week: N465/\$).

At the money market this week, outflows from FX retail, OMO auctions and CRR debits mopped up inflows from OMO maturities and FX retail refunds, causing the overnight rate to climb to 4.9% (vs 1.6% last week).

### ***GLOBAL MARKETS***

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#### ***Norway's withdrawals from its wealth fund touches record high***

This week, Norway announced plans to withdraw \$37bn from its sovereign wealth fund (SWF) to fund next year's budget. The country's SWF - the largest in size globally - holds c.\$1.1trn in foreign stocks, bonds and property and was built up using savings from proceeds from oil and gas sales.

The record withdrawal is to support Norway's economy as it undergoes the most severe contraction in seventy years. GDP is expected to retract by -3% in 2020 in the wake of the COVID-19 pandemic.

Other oil producing nations such as Kuwait and Bahrain have tapped into their reserves and are even considering drawing from the Future Generations Funds. Nigeria, like Norway, is an oil-producing country that has sought to build up its rainy-day fund. However, Nigeria's SWF total assets currently stands at c. \$2bn (equivalent to 0.4% of GDP versus Norway's comparable ratio of 273%) which may mean the impact of any withdrawals from the SWF may be limited. Therefore, recent legislation at the Nigerian National Assembly that aims to provide monthly allocation to the SWF will do well to increase the size of the SWF and ensure that it can serve its rainy-day function.

### ***OUTLOOK***

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Next week, we expect investors to start booking profits at the Nigerian equities market following the recent bullish run. We expect positive sentiment in the currency space as higher crude oil prices lift the prospects of accretion to the external reserves and reduce the speculative pressure at the parallel market.

## ***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