

# Weekly Market Summary



July 10, 2020

## Highlights

- CBN devalues the naira to N381/\$
- Nigerian equities shed -0.12% in the week
- Global manufacturing in prolonged contraction

Economic Data	10-07-20	03-07-20	Change	YTD
NSEASI	24,306.36	24,336.12	-0.12%	-9.45%
NSELII	1,792.75	1,815.20	-1.24%	-2.29%
Market Cap (₦'bn)	12,679.63	12,695.16	-0.12%	-2.15%
Official Exchange Rate (₦/\$)	381.00	361	5.54%	24.10%
Oil Prices (\$'pb)	43.24	42.80	1.03%	-34.48%
External Reserves (\$'bn)	36.15	36.18	-0.08%	-6.32%
LC Managed Funds				
Halal Investment Fund (₦)	1.24	1.23	0.81%	5.38%
Halal Fixed Income Fund (₦)	1,117.48*	1,136.46	-1.67%	5.64%
Lotus Halal Equity ETF (₦)	8.93	9.16	-2.47%	2.02%

\*The Lotus Halal Fixed Income Fund was marked down for a dividend of N22/unit

## NIGERIAN MARKET UPDATE

### *CBN devalues the naira to N381/\$*

This week, the Central Bank of Nigeria moved the naira's official exchange rate from N361/\$ to N381/\$, making it the second of such adjustments this year. This comes only a week after it changed the concessionary exchange rate at its Secondary Market intervention System (SMIS) from c.N360/\$ to c. N380/\$ as part of efforts to operate a uniform exchange rate regime.

Since 2017, the CBN has used multiple exchange rates to manage FX demand from petroleum marketers, manufacturers, students, travellers, investors and exporters among others. This resulted in a wide variance between its official exchange rate and prices at its various trading windows. However, in March 2020, the CBN devalued the official naira rate from c. N307/\$ to N361/\$ and gradually narrowed this gap.

Market participants have long clamoured for a unified exchange rate citing incidences of round tripping and FX scarcity as the major drawbacks of the multiple exchange rate regime. The CBN was slow to heed, but eventually caved when the plunge in oil prices bore a hole in its pocket. Thus, the recent devaluation is driven by an expectation of significantly lower dollar inflows from oil in the near term.

Multilateral lenders such as the International Monetary Fund (IMF) and the World Bank have also repeatedly urged the CBN to collapse its multiple exchange rate system and often made this a prerequisite for financial support. Therefore, the recent devaluation should strengthen Nigeria's chances of securing additional funding from its creditors.

### *Equities shed -0.12%*

The equities market closed on a subdued note this week as the NSEASI retracted by -0.12%, taking the YTD performance to -9.45%.

The performance was mixed as the NSE banking index was the sole gainer among the sector indices with 5.85%. The Consumer Goods Index led the laggards, dipping by -3.96% w-o-w, while NSEIND closed -2.13% lower. In their trail were the NSEINS (-0.73%) and NSEOILGAS (-0.67%).

The NSE Lotus Islamic Index declined by -1.24% this week, bringing its YTD return to -2.29%.

### *Overnight rate closes lower as market liquidity increases*

At the money market this week, the Overnight rate closed lower at 14.10% (last week: 23.50%) as system liquidity was supported by CRR refunds and OMO maturities totalling c. N400bn.

At the currency market, the naira depreciated across all trade points. At the I&E window, it weakened to N386/\$ (last week: N386/\$) and depreciated further at the parallel market to N465/\$ from N461/\$ last week.

## GLOBAL MARKETS

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### *Global manufacturing in prolonged contraction*

Data from IHS Markit showed that activities in the global manufacturing sector declined for the fifth consecutive month since the outbreak of COVID-19. The global Purchasing Managers' Index (PMI) which covers 32 of the world's biggest economies (including Nigeria) printed at 47.8pts in June (May: 42.4pts) - PMI readings below 50pts indicate a contraction.

Although manufacturing activities are still subdued, there were notable improvements in 15 of the 32 nations surveyed partly attributable to the easing of lockdowns in May and June. As more economies reopen for business, we expect a moderate recovery in manufacturing activities over the coming months, which should also provide some support to crude oil prices.

## OUTLOOK

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Next week, we expect corporate earnings for Q2'2020 to trickle in and this should drive sentiment and trading on the local bourse. We expect the recent shift in the official naira exchange rate to put pressure at the parallel market as traders try to preserve their spreads.

## *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