

# Weekly Market Summary



September 11, 2020

## Highlights

- Credit to private sector climbs to N18.82tn in Q2'2020
- Nigerian equities decline by -0.05% w-o-w
- Naira pares gains at the parallel market
- South African economy contracts for the 4<sup>th</sup> consecutive quarter

Economic Data	11-09-20	04-09-20	Change	YTD
NSEASI	25,591.65	25,605.64	-0.05%	-4.66%
NSELII	1,848.99	1,846.38	0.14%	0.78%
Market Cap (₦'bn)	13,350.95	13,358.09	-0.05%	3.03%
Official Exchange Rate (₦/\$)	381.00	381.00	0.00%	24.10%
Oil Prices (\$'pb)	39.83	42.66	-6.63%	-39.65%
External Reserves (\$'bn)	35.78	35.67	0.31%	-7.28%
LC Managed Funds				
Halal Investment Fund (₦)	1.27	1.26	0.79%	7.93%
Halal Fixed Income Fund (₦)	1,135.33	1,133.66	0.15%	7.22%
Lotus Halal Equity ETF (₦)	9.21	9.20	0.10%	5.20%

## NIGERIAN MARKET UPDATE

### *Credit to the private sector climbs to N18.82tn in Q2'2020*

According to the National Bureau of Statistics (NBS), total credit to the private sector climbed by 1.8% q-o-q in Q2'2020 to print at N18.8tn (Q1'2020: N18.5tn). When compared to the corresponding quarter in 2019, total credit increased by 24.3% depicting the effect of the increased minimum Loan-to-Deposit Ratio (LDR) prescribed by the Central Bank of Nigeria in July 2019. Oil & Gas (19.21%), Manufacturing (16.31%) and ICT sectors (8.74%) accounted for the largest share of the total credit. It is worthy of note that, the 1.8% q-o-q rise in total credit is the lowest since the imposition of a minimum LDR by the CBN and shows that banks were probably more conservative in lending during the period.

The NBS data also showed that Non-Performing Loan (NPL) ratio increased from 6.39% in Q1'2020 to 6.41% in Q2'2020 - the first quarterly jump in 7 quarters and we attribute this to the economic shock caused by the coronavirus pandemic. We believe that the pandemic is yet to run its full course, therefore an increase in non-performing loans is still likely in the near term.

### *Equities shed -0.05% w-o-w*

The NSEASI retracted by -0.05% this week and extended its year to date loss to -4.66%. Performance was largely negative across sectors as the NSE Banking (-2.69%), Insurance (-0.66%), Consumer Goods (-0.27%) and the Oil and Gas (-1.25%) indices were all in the red. The NSE Industrial Goods index was the sole gainer of the week and was up by 0.35%.

The NSE Lotus Islamic Index outperformed the broad index, gaining 0.14% this week to take its year to date return to 0.78%.

### *Naira pares gains at the parallel market*

At the currency market, the CBN's official exchange rate was unchanged at N381/\$ while at the parallel market, the naira weakened to N455/\$ (last week: N440/\$) despite the CBN's continued FX sales to the Bureau De Changes. On the other hand, the naira appreciated marginally at the I&E window to close at N386/\$ (last week: N386.13/\$).

At the money market this week, the overnight rate climbed to 16.5% (vs 2.3% last week) as outflows from CRR and FX auction debits exceeded inflows from OMO maturities and FX auction refunds.

## **GLOBAL MARKETS**

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### ***South African GDP contracts for the 4<sup>th</sup> consecutive quarter***

South Africa's economic contraction extended to a fourth quarter, as GDP contracted by -16.4% in Q2'2020 compared to Q1'2020 (-2%), to settle at an annualized rate of -51%. The steep GDP contraction highlights the impact of various containment used to combat the spread of the coronavirus. We recall that the country proceeded on a total lockdown at the end of March which caused non-essential businesses to suspend operations in Africa's most industrialized nation. Consequently, key sectors of the economy that were negatively impacted include Construction (-76.6%), Manufacturing (-74.9%) and Transport & Communication (-67.9%). Notably, household expenditure plunged by -49.8% in Q2'2020.

In recent months, South Africa's central bank has cut the benchmark interest rate to four-decade low and relaxed regulations on private sector lending in a bid to boost growth. We expect that these measures and the recent reopening of businesses would gradually steer the economy to recovery.

### **OUTLOOK**

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On the local bourse, we anticipate another lackluster across counters as investors evaluate the impact of the recent hikes in the electricity tariff and petrol prices on corporate profits. At the currency market, the naira may weaken further due to sustained demand amidst concerns on falling oil prices.

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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