

Weekly Market Summary



Highlights

- Unemployment rate climbs to 27.1%
- Nigerian equities continue gaining streak - up 0.63%
- UK economy slides into recession

| Economic Data | 14-08-20 | 07-08-20 | Change | YTD |
|-------------------------------|-----------|-----------|--------|---------|
| NSEASI | 25,199.84 | 25,041.89 | 0.63% | -6.12% |
| NSELII | 1,834.18 | 1,847.16 | -0.70% | -0.03% |
| Market Cap (₦'bn) | 13,145.79 | 13,063.33 | 0.63% | 1.45% |
| Official Exchange Rate (₦/\$) | 381.00 | 381.00 | 0.00% | 24.10% |
| Oil Prices (\$'pb) | 44.40 | 44.40 | 0.90% | -32.12% |
| External Reserves (\$'bn) | 35.62 | 35.71 | -0.25% | -7.70% |
| LC Managed Funds | | | | |
| Halal Investment Fund (₦) | 1.26 | 1.26 | 0.00% | 7.08% |
| Halal Fixed Income Fund (₦) | 1,127.85 | 1,126.00 | 0.16% | 6.56% |
| Lotus Halal Equity ETF (₦) | 9.10 | 9.19 | -1.10% | 3.89% |

NIGERIAN MARKET UPDATE

Unemployment rate climbs to 27.1% in Q2'2020

Data from the National Bureau of Statistics (NBS) showed that the unemployment rate increased to 27.1% in Q2'2020 from 23.1% in Q3'2018. Unemployment was highest (34.9%) among the youth population (ages 15-24) compared to other age brackets and was also higher among rural dwellers (28%) than residents of urban areas (25.4%). Overall, an estimate of 11million jobs were lost between Q3'2018 and Q2'2020. The absence of data for the last six quarters makes it difficult to isolate the impact of COVID-19 on the employment figures.

In our view, the relatively high level of youth unemployment could foster violence and instability in some environments, particularly in the wake of the pandemic. We note that labor-intensive sectors such as trade, agriculture and manufacturing were particularly affected by the outbreak, amidst lingering issues such as banditry and infrastructure shortages. If the pandemic is prolonged, the employment situation would worsen without urgent intervention from government at all levels.

Nigerian equities continue gaining streak - up 0.63%

This week, the equities market had another positive performance and the NSEASI gained 0.63%, further moderating its year-to-date loss to -6.12%.

For the sectors, the NSE's Oil and Gas index led the gainers, rising by 5.92% on the back of gains in SEPLAT. The Consumer Goods index rose by 2.25% following an appreciation in UNILEVER, while the Insurance index was lifted largely by an appreciation in LASACO Assurance. On the other hand, the Industrial Goods and Banking indices closed lower by -2.70% and -0.03% respectively.

The NSE Lotus Islamic Index reversed its bullish run to close the week lower by -0.70%, taking its year to date performance to -0.03%.

Naira trades flat

At the currency market, CBN's official exchange rate was unchanged at N381/\$. The Naira was also flat at the parallel market and at the I&E window where it traded at N475/\$ and N386.00/\$ respectively.

At the money market this week, the overnight rate climbed to 19.8% (last week: 7.20%) following OMO and FX auction debits, which tightened system liquidity.

GLOBAL MARKETS

UK economy slides into recession in Q2'2020

According to the UK Office for National Statistics (ONS), the UK economy is officially in recession. The country's GDP contracted by -20.4% in Q2'2020 (Q1'2020: -2.2%), which is the steepest contraction since the ONS began keeping records in 1955.

According to the ONS, the contraction was driven by a decline in the services, manufacturing and construction sectors. The services sector constitutes 80% of the UK economy and it contracted by -19.9% during the quarter as accommodation, leisure and hospitality were adversely impacted by the lockdown. Education and health services were also negatively impacted, as schools were shut and all non-essential health procedures were cancelled. Similarly, the country's manufacturing and construction sectors were hammered – tumbling by -20% and -35% respectively due to factory closures.

We note that the UK was on lock down for a longer period than its European counterparts, which would explain its larger economic contraction compared to Germany (-10.1%) and France (-13.8%). Although the Bank of England anticipates that the UK economy will rebound in the third quarter, we believe that the recent rise in new COVID-19 cases continues to pose a downside risk to growth.

Given that the UK is the second largest source of remittances to Nigeria and a key source of foreign exchange, an economic contraction of this scale could reverberate at home.

OUTLOOK

In the domestic equities market, we expect dividend announcements to determine the course of trading. We anticipate a decline in money market rates due to treasury bill maturities and expected refunds for the FX auction next week.

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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 |