

Weekly Market Summary



September 18, 2020

Highlights

- Headline inflation prints at 13.22% in August
- Local bourse sheds -0.08%
- Naira depreciates further at parallel market
- EU inflation plunges to -0.2% in August

Economic Data	18-09-20	11-09-20	Change	YTD
NSEASI	25,572.57	25,591.65	-0.08%	-4.73%
NSELII	1,852.54	1,848.99	0.19%	0.97%
Market Cap (₦'bn)	13,364.56	13,350.95	0.10%	3.13%
Official Exchange Rate (₦/\$)	381.00	381.00	0.00%	24.10%
Oil Prices (\$'pb)	43.15	39.83	8.34%	-34.62%
External Reserves (\$'bn)	35.81	35.78	0.08%	-7.20%
LC Managed Funds				
Halal Investment Fund (₦)	1.27	1.27	0.00%	7.93%
Halal Fixed Income Fund (₦)	1139.79	1135.33	0.39%	7.62%
Lotus Halal Equity ETF (₦)	9.23	9.21	0.16%	5.37%

NIGERIAN MARKET UPDATE

Headline inflation prints at 13.22% in August

According to the National Bureau of Statistics (NBS), annual headline inflation rose to a 29-month high in August 2020 as the data showed a rise to 13.22% y-o-y from 12.82% in July 2020.

Notably, food inflation grew by 16% y-o-y in August (July: 15.48%), underpinned by the higher prices of bread, cereals, oils, potatoes, vegetables, meat, fruits, fish, yam and other tubers due to a sustained pressure on staple food prices. Core inflation (measuring all items except farm produce) climbed to 10.52% from 10.10% in July, driven by above average prices recorded in medical services, transportation, pharmaceutical services and other miscellaneous expenses. We note that a 2.3% y-o-y rise in petrol prices to a 27-month high in August contributed to the higher transport fares.

Headline inflation was highest in Kogi (17.29%) while Abuja (11.17%) recorded the slowest increase in the consumer price index.

Going forward, we expect higher petrol prices, as well as a hike in electricity tariffs to put further upward pressure on consumer prices. Therefore, we see an uptick in inflation in the next couple of months as well.

Local bourse closes the week negative

In the week under review, the NSEASI declined by -0.08% due to profit-taking activities on the bourse. Year to date, its performance stands at -4.78%.

On a sectoral front, performance was mixed as the NSE Industrial Goods Index gained by 0.50%. Also, in the green were the Consumer Goods index (0.13%), Insurance index (0.01%). The NSE Oil and Gas index (-1.03%) and NSE Banking index (-0.67%) closed the week negative.

The NSE Lotus Islamic Index gained by 0.19% this week, with year to date return rising to 0.97%.

Naira depreciates further at the parallel market

At the currency market, the CBN's official exchange and the I&E window rates of N381/\$ and N386/\$ were unchanged. However, the naira weakened further at the parallel market to N465/\$ (last week: N455/\$) despite the apex bank's continued FX sales to Bureaux De Change operators.

At the money market this week, the overnight rate declined to 3.0% (vs 16.5% last week) as inflows from OMO maturities and FGN bond coupon payments boosted system liquidity.

GLOBAL MARKETS

Euro area inflation plunges to -0.2% in August

Data released by the European Union Statistics agency (Eurostat) showed that annual headline inflation in the Euro area shrank to a negative reading of -0.2% in August 2020 compared to 0.4% in July. The latest reading is in contrast to consensus analysts' estimates of 0.2%

The food, alcohol & tobacco sub index climbed by 1.7% (July: 2.0%) and services rose by 0.7% (Jul: 0.9%) in August. Core inflation, which is of particular interest to the European Central Bank (ECB) plunged to 0.4% (July: 1.3%) – the lowest on record since 2001.

With core inflation still well below the ECB's target of c. 2% over the medium term, we expect the bank at its next meeting to adjust its inflation forecast and make a decision about injecting additional economic stimulus.

OUTLOOK

At the equities market this week, we anticipate another lackluster outing across counters as investors evaluate the impact of the recent hikes in the electricity tariff and petrol prices on corporate profits. At the money market, we expect the overnight rate to remain low as further inflows are expected to bolster system liquidity.

Lotus Capital, Creating Wealth the Halal Way

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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
NSECNMRGDS:	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