

# Weekly Market Summary



## Highlights

- Headline inflation accelerates to 12.82% in July
- Nigerian equities gain 0.09% w-o-w
- Euro area inflation rises to 0.4% in July

| Economic Data                 | 21-08-20  | 14-08-20  | Change | YTD     |
|-------------------------------|-----------|-----------|--------|---------|
| NSEASI                        | 25,221.87 | 25,199.84 | 0.09%  | -6.04%  |
| NSELII                        | 1,832.03  | 1,834.18  | -0.12% | -0.15%  |
| Market Cap (₦'bn)             | 13,158.01 | 13,145.79 | 0.09%  | 1.54%   |
| Official Exchange Rate (₦/\$) | 381.00    | 381.00    | 0.00%  | 24.10%  |
| Oil Prices (\$'pb)            | 44.35     | 44.80     | -1.00% | -32.80% |
| External Reserves (\$'bn)     | 35.60     | 35.62     | -0.06% | -7.75%  |
| <b>LC Managed Funds</b>       |           |           |        |         |
| Halal Investment Fund (₦)     | 1.26      | 1.26      | 0.00%  | 7.08%   |
| Halal Fixed Income Fund (₦)   | 1,130.07  | 1,127.85  | 0.20%  | 6.75%   |
| Lotus Halal Equity ETF (₦)    | 9.08      | 9.10      | -0.17% | 3.71%   |

## NIGERIAN MARKET UPDATE

### Headline inflation accelerates to 12.82% in July

Data from the National Bureau of Statistics (NBS) showed that annual headline inflation rose to 12.82% y-o-y in July 2020 from 12.56% in June 2020, the highest on record in 27 months. Inflation was largely driven by higher food prices in July.

For context, food inflation grew by 15.48% y-o-y in July (June: 15.18%), underpinned by the higher prices of bread, cereals, oils, potatoes, meat, fruits, fish, yam and other tubers. Core inflation (measuring all items except farm produce) reduced to 10.10% from 10.13% in June. We attribute the decline in core inflation to lower fuel prices as petrol, diesel and kerosene were relatively cheaper compared to the same period of last year. Similar to prior months, medical services, transportation, pharmaceutical products and hospital services were the key drivers of core inflation.

Going forward, we expect the recent hike in fuel prices earlier this month as well as the devaluation of the naira to put upward pressure on consumer prices. Therefore, we expect an uptick in inflation in the coming months as well.

### Equities market posts gains for fifth straight week

This week, the local bourse had a positive outing and the NSEASI gained 0.09% to take the year-to-date return to -6.04%.

Across sectors, the NSE's Insurance index led the gainers, rising by 4.40%. The Consumer Goods index rose by 1.88% following an appreciation in UNILEVER, while the Banking index climbed by 0.81%. On the flip side, the Industrial Goods and Oil and Gas indices inched lower by -0.41% and -0.92% respectively.

The NSE Lotus Islamic Index close the week lower by -0.12%, taking its year to date performance to -0.15%.

### Overnight rate slides to 2.60%

At the money market this week, the overnight rate retreated to 2.6% from 19.8% last week as inflows from OMO maturities and FAAC disbursements eased the pressure from FGN Bond and OMO auction debits.

At the currency market, the CBN's official exchange rate was unchanged at N381/\$ and naira was also stable at N386.00/\$ at the I&E window. However, at the parallel market, the naira depreciated to N477/\$ (last week: N475/\$).

## **GLOBAL MARKETS**

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### ***Euro area inflation rises to 0.4% in July***

According to the European Union Statistics agency (Eurostat), annual headline inflation in the Euro area rose by 0.4% in July from 0.3% in June. The latest reading exceeded consensus analyst estimates of 0.2% and is the third consecutive month of higher consumer prices.

Core inflation, which is of particular interest to the European Central Bank (ECB) notably stood at 1.3% (June: 1.1%). This was driven by prices increases in clothing, apparel and other non-energy industrial goods as consumers shopped for the summer period after the lockdown was eased in many parts of Europe.

Notwithstanding, inflation is still well below the ECBs target of c. 2%. Therefore, we expect the bank to maintain its low interest rate regime.

## **OUTLOOK**

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This week, trading at the Nigerian equities market may become choppy especially if Q2' 2020 GDP data shows a steeper contraction than expected by investors. At the parallel market, the naira may come under increased pressure as the planned resumption of international flights would increase FX demand.

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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                                    |